THE FREEMAN

IDEAS ON LIBERTY

The Theory of Due Reparations

The Economic Wisdom of *A Connecticut Yankee*

From Gangland to Corporate America

Perestroika's Missing Ingredient

JUNE 1990

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IDEAS ON LIBERTY

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1990
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NO. 6

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Published by
The Foundation for Economic Education
Irvington-on-Hudson, NY 10533

President of The Board: Bruce M. Evans
Vice-President: Robert G. Anderson
Senior Editors: Beth A. Hoffman, Brian Summers
Contributing Editors: Bettina Bien Greaves, Edmund A. Opitz, Paul L. Poirot
Copy Editor: Deane M. Brasfield

The Freeman is the monthly publication of The Foundation for Economic Education, Inc., Irvington-on-Hudson, NY 10533 (914) 591-7230. FEE, founded in 1946 by Leonard E. Read, is a nonpolitical educational champion of private property, the free market, and limited government. FEE is classified as a 26 USC 501 (c) (3) tax-exempt organization. Other officers of FEE's Board of Trustees are: Thomas C. Stevens, chairman; Ridgway K. Foley, Jr., vice-chairman; Paul L. Poirot, secretary; Don L. Foote, Treasurer.

The costs of Foundation projects and services are met through donations. Donations are invited in any amount. Subscriptions to *The Freeman* are available to any interested person in the United States for the asking. Additional single copies $1.00; 10 or more, 50 cents each. For foreign delivery, a donation of $15.00 a year is required to cover direct mailing costs.

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Bound volumes of *The Freeman* are available from The Foundation for calendar years 1971 to date. Earlier volumes as well as current issues are available on microfilm from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106.

The Freeman considers unsolicited editorial submissions, but they must be accompanied by a stamped, self-addressed envelope. Our author's guide is available on request.

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PERSPECTIVE

Individual Rights

The term "human rights" is the semantic monstrosity of the day. There are no human rights, only individual rights. Clearly, humanity has no rights. The ultimate reality of existence imposes on everyone obligations to one's self and to those with whom one shares the existence. Individual members of the human species therefore enjoy rights in relation to other individuals, in both the collective and individual sense. But to suggest that one enjoys certain rights over and above these interrelational rights just by being born into the human race is to promote the kind of fuzzy semantic thinking that leads to indolence and the belief that "the world owes me a living." It just may be that it is this semantic confusion that has brought about the recent tendency away from holding each individual accountable for his behavior.

—Miller Upton
Delavan, Wisconsin

The Lure of Socialism

Socialism has always proved attractive, and it has been with us in one form or another since the dawn of civilization. When one notes the promise of socialism, it can be readily understood how it is so easily sold to the masses. For socialism promises a utopia, a sharing of goods produced, a "secure" existence, equality for all, full employment and adequate food, clothing, shelter, medical treatment, and old-age benefits. It should be noted that slaves were afforded the same sustenance. Humankind continues to overlook the fact that as we are provided "security" by the government, so also are we losing our freedom ever so gradually, and we become wards of the government.

—Raynold J. Thibodeaux
Nederland, Texas

Violating the Commandments

The laws of Judeo-Christian ethics still underlie most of our direct man-to-man relations. Acting individually, we practice, or at least seek to practice, the Commandments. In our social contacts we endeavor to live by the strictures of the Commandments. But most individuals act differently as

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soon as they take part in the body politic. Acting in political concert, they behave in a way they would not dare to act in direct inter-human relations. They live by the motto: Thou shalt not steal—except by majority vote. Thou shalt not kill or coerce—except by majority decision. Thou shalt not bear false witness—except in politics.

—HANS F. SENNHOLZ, speaking at a February 6, 1990, chapel lecture, Grove City College

Soviet "Prices"

The idea that the Soviet Union has stable wholesale prices is a myth. At great pain to the economy, we maintain low prices for fuel and raw materials, while having long since lost control of prices in processing industries. Resentments among miners and other producers of raw materials have boiled to the surface, and our country has been hit by a wave of damaging strikes. The only way to move away from economic ruin is to rationalize our price structure, which means creating the first real prices in this country's history. And real prices mean that we finally admit that an item doesn't cost what a bureaucrat says it does but what a customer is willing to pay for it.

—VASILY SELYUNIN, a Soviet economist, writing in the January-March 1990 issue of *Glasnost*

The Benefits of Foreign Investment

Historically, foreign investment played an important role in helping to build the United States, and it is providing investment capital today. Foreign direct investment (FDI) builds plants, employs U.S. workers, and promotes the transfer of foreign technology and management practices to the United States. U.S. affiliates of foreign firms provide over 3 million jobs and have an annual payroll over $90 billion; they account for about 8 percent of U.S. spending on plant and equipment and 21 percent of U.S. exports; and they spend $6 billion a year on research and development and pay $9 billion in Federal income taxes annually.

Foreign direct investment increases the benefits from trade by facilitating trade in goods, services, and technology. FDI encourages the specialization of production, permitting firms to achieve a larger and more efficient scale of production. FDI also tends to increase competition to the benefit of the consumer.

Foreign direct investment is an important source of capital to the United States. If FDI were restricted, much of this capital would be lost, at least to the extent it is not redirected into portfolio investment. The loss of these funds would result in a fall in the value of the dollar and increases in U.S. interest rates. The former would make the United States poorer by increasing the price of imported goods and services. And increasing U.S. interest rates would harm U.S. competitiveness by restricting the funds necessary for expanding economic growth.

—SUSAN W. LIEBELER, testifying before the House Ways and Means Committee, January 25, 1990

The Civic Genius

The deadliest enemies of nations are not their foreign foes: they always dwell within their borders. And from these internal enemies civilization is always in need of being saved. The nation blest above all nations is she in whom the civic genius of the people does the saving day by day, by acts without external picturesqueness; by speaking, writing, voting reasonably; by smiting corruption swiftly; by good temper between parties; by the people knowing true men when they see them, and preferring them as leaders to rabid partisans or empty quacks. Such nations have no need of wars to save them. Their accounts with righteousness are always even; and God's judgments do not have to overtake them fitfully in bloody spasms and convulsions of the race.

—WILLIAM JAMES, from a lecture commemorating Robert Gould Shaw and his 54th Regiment of black soldiers, May 31, 1897

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THE FREEMAN
IDEAS ON LIBERTY

The Economic Wisdom of *A Connecticut Yankee*

by Russell Shannon

While Mark Twain's fame rests largely on his tales of youths growing up in mid-19th century America, he also wrote an incisive demonstration of the superiority of free market economics over the regulated and hierarchical society of English manorialism. This fact may be less surprising when one recalls that, although Twain (born Samuel Clemens) grew up in Missouri, he spent much of his adult life writing at Nook Farm near Hartford, Connecticut, where he was a neighbor of Harriet Beecher Stowe.

Unlike *Tom Sawyer* and *Huckleberry Finn*, Twain's later work, *A Connecticut Yankee in King Arthur's Court*, is set in medieval England, where the protagonist of the story, Hank Morgan, suddenly finds himself in Camelot. Morgan sets about establishing such elements of Yankee ingenuity and enterprise as a telegraph, a soap factory, and advertising. In the end, of course, all these anachronisms are destroyed, but in the meantime Twain has been able to make some telling points about the superiority of laissez faire and individual initiative over regulation and rigidly customary procedures.

In Twain's Camelot, the rosy romantic hue in which modern presentations bathe Arthur's regime is totally missing. We find that a person's position, power, and prestige depend solely on his parentage. All economic activity is carefully controlled, including wages, which are set by the local magistrate. Such policies are widely accepted as being in the best interest of society as a whole.

It is in the chapter entitled "Sixth-Century Political Economy" that Hank Morgan tries to persuade people of the faults in their thinking. He argues that restrictions give the impression of success because they have resulted in higher *nominal* wages for the protected workers. By contrast, in the area of Camelot where Morgan has developed his enterprises without such restrictions, free market forces have resulted in lower pay measured in dollar terms. But Morgan points out that, since freedom induces greater efficiency and productivity, his workers pay even lower prices for the goods they buy than workers in regulated industries must pay.

Finding his point hard to make, Morgan finally compares the number of hours it takes people in each situation to work in order to acquire certain necessities. At last, he is able to convince his listeners of the advantages that accrue to the unregulated workers in terms of lower costs of living and higher living standards. The extreme difficulty required to get this message across attests to the

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BETTMANN ARCHIVE

"Inherited ideas are a curious thing." Illustration (woodcut) to Mark Twain's **A Connecticut Yankee.**

persuasive power of the principle of regulation which still finds many adherents today.

Although Twain's book is far more readable, his argument is not as logically rigorous as David Ricardo's demonstration of the benefits of free trade based on comparative advantage which was published in 1817. Nor, despite his wit, does Twain surpass the devastating power of Frederic Bastiat's famous petition of the candlemakers who sought to protect their industry by shutting out the light of the sun.

Nonetheless, Twain's achievement is a notable addition to the literature on the benefits of free markets. Although many details would differ, the Connecticut Yankee could just as well be set down in Stalin's Russia or Mao's China, for the criticism of medieval society could equally apply to modern totalitarian systems. Indeed, one suspects that the tenacity with which the old ideas are grasped in Twain's Camelot is matched in those countries and in Eastern Europe today. For shedding such insight on both the past and the present, Twain's work deserves more recognition than it so far seems to have achieved. □

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Taking the Train to Metamora

by William B. Irvine

For a few dollars, one can ride a train from Connersville to Metamora, in eastern Indiana. The ride is worth taking not just because it is a chance to ride a train (which in America is now difficult to do), and not just because it is a chance to ride aboard a train pulled by a steam locomotive (which, as any train buff can tell you, is the ultimate experience in travel), but because of what the ride can teach you about economics, politics, and the way the two combine to shape the world around us.

Not long ago I took my family on the train to Metamora. Shortly after we pulled out of Connersville, I noticed the faint outline of the now-defunct Whitewater Valley Canal running parallel to the railroad track. There was no sign of water in this canal; there was only a ditch with slumping banks and with rather sizable trees growing from the bottom. (The presence of these trees made it almost impossible to visualize barges ever using the canal.) From time to time, we passed the crumbling remains of canal locks.

It was only when I looked out the other side of the train that I realized that besides taking a train trip, I was traveling over a particularly interesting piece of the economic landscape. For on the other side of the train was a modern highway, being used by a variety of vehicles, including cars that had stopped to watch the steam locomotive go by. There, within the space of a few hundred feet, was a history of modern transportation: a canal, paralleled by a railway, which in turn was paralleled by a highway.

I examined the scene in much the same way as a geologist might examine a road cut (where engineers have cut through a hill in order to lay a road bed). To a geologist, a road cut offers valuable clues to the geological history of a region because it reveals the successive layers of sediment that were laid down by ancient oceans. Where the untrained eye sees a change in the color or texture of the strata, the geologist sees evidence of the rise of a new form of life, of changes in climate in years gone by, or of volcanic eruptions.

The canal, railroad track, and highway, lying side by side, were the economic equivalent of geological strata, but instead of revealing geological epochs, this economic landscape revealed successive revolutions in the technology of transportation, as well as revealing—to the trained eye—evidence of changes in the political climate in years gone by.

The juxtaposition of canal and rail and highway was also evidence of how dramatically the economic landscape can change. The people who built the canal probably didn't imagine that a technology would arise to make it obsolete, and the people who built the rails probably did so confident in the belief that theirs was the ultimate form of transportation.

Professor Irvine teaches philosophy at Wright State University in Dayton, Ohio.

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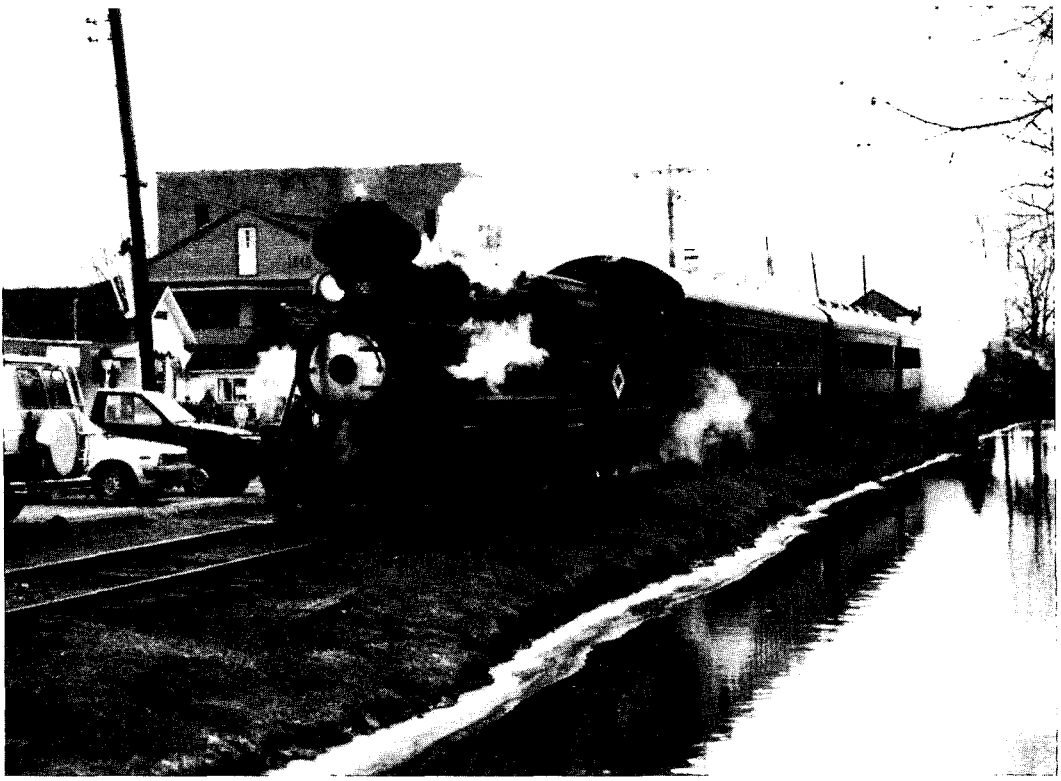

JIM WISEMAN

Whitewater Valley Railroad today

By what, I wondered, will the highway be replaced? The obvious answer is that it will never be replaced, but this is what the canal- and railroad-builders thought. They were mistaken. Is there any reason to think that we are not likewise mistaken in thinking, as we often do, that we have reached the end-point in economic evolution?

Indeed, it is entirely conceivable that my children will tell their grandchildren about the old days when people used to ride around in cars. My great-grandchildren will listen wide-eyed and comment that things must have been difficult before they invented—I would like to be able to finish this sentence, but I don't know how to do so.

My great-grandchildren will most likely pity me for having to live without—again, I do not know what yet-to-be-invented something they will hold to be essential if one is to enjoy life. And why shouldn't they pity me? I pity my great-grandparents for having had to live without television and antibiotics and jet airplanes. Of course, I don't feel like a person worthy of pity; I don't feel like I'm missing anything, and I don't suppose my great-grandparents did either.

Only Change Is Certain

When it comes to predicting the economic landscape decades hence, only one thing is sure: It will be radically different—almost unimaginably different—from that of today. Generally, if there were someone who could tell us the future, we would not believe him. We instead prefer to believe those who tell us, in reassuring tones, that tomorrow will be like today, even though such people are almost never right.

The juxtaposition of canal and rail and highway also raises a number of questions: How does a canal or railroad come into existence? How does it die? Did this particular canal and railroad die natural deaths, or were they, in effect, murdered? And if they were murdered, who was the murderer?

As it turns out, the history of the Whitewater Canal* is intertwined with the history of Indiana itself, and it is a history that demonstrates the extent to which politics can shape the economic landscape.

* In what follows, I am relying on William E. Wilson's history of the canal, as related in his *Indiana: A History* (Bloomington: Indiana University Press, 1966).

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When Congress admitted Indiana to the Union, it allowed a certain portion of the funds from the sale of public lands to be used for developing transportation within Indiana. There were those, including Governor James Ray, who saw canals as a dying technology and favored instead construction of railroads. In the end, though, the state set off on a binge of canal and railroad construction, authorized by the Mammoth Internal Improvement Bill of 1836, and funded both by Federal money and by $10 million borrowed by the state of Indiana. The Whitewater Canal was one of the projects thus financed.

The problem was that young Indiana was not ready to service the debt necessary to cover these appropriations: by 1839 the state was bankrupt. In the end, the state came up with a solution to the debt problem that was "just short of repudiation." The state got out of the canal-building business, and private enterprise finished the job that the State of Indiana had begun. By 1846, the Whitewater Canal connected Lawrenceburg with Cambridge City; the section of the canal between Connersville and Metamora is included in this stretch.

Once built, the Whitewater Canal's days of usefulness were numbered. By 1865 the Whitewater Valley Railroad had built the line that paralleled the canal (the line that the train to Metamora takes), and the canal was rendered superfluous. It wasn't long, however, before the Whitewater Valley Railroad itself fell on hard times. By 1877, it was bankrupt.

The Whitewater Valley Railroad recovered from this setback, but it ultimately suffered the fate of the canal: In this century, it ceased to be a commercially viable operation. What killed it? Again, this is a complex question. A case can be made, though, that in the same way that the railroad killed the canal by paralleling it, the modern highway—more precisely, the system of modern highways—killed the railroad. Furthermore, a case can be made —and many have made it—that the railroads died not because they are technologically obsolete (one need only look at Europe or Japan to realize as much) but because the government decided to nourish their competitor, the highway system.

In the early 1970s, the not-for-profit Whitewater Valley Railroad Company revived the Connersville-to-Metamora route as a train for tourists, and in 1984 the company purchased from Penn Central the track between Connersville and Metamora. Thus it was that I found it possible to take the train to Metamora.

On arriving in Metamora I purchased some railroad paraphernalia and took my family for a snack. The restaurant that looked the most promising was located in the basement of an old bank building. The problem was that the place seemed full. We were about to leave when a waiter came up and asked whether we would mind sitting "in the vault." I wasn't sure what he meant, but we followed him and soon found ourselves inside a long and narrow concrete bank vault. The place was barely big enough for a table and had a bit of an echo, but was nevertheless a treat. (I did experience some anxiety about accidentally being locked in—who, after all these years, would know the combination?—but my fears were unfounded.) No doubt those who built the vault would be as surprised to learn of the ultimate fate of their works, as would those who built the canal, those who built the railroad, or as we will be, if we are lucky enough to be around decades hence. □

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The Theory of Due Reparations

by Ridgway K. Foley, Jr.

There is a fashion in foolishness. Silly notions come and go; some are reborn a generation or more apart; others revive in an altered but similarly obnoxious form, parading as something new and wonderful, in reality something ancient and wicked.

One such goofy and dangerous concept which has gained increasing currency in this decade is the allegation that the state of today ought to order its creative citizens to grant favors and transfer wealth to less productive persons who suffered (or whose ancestors suffered) a supposed earlier injury at the hands of other people. Not unlike the reparations demanded of the Kaiser and his allies following World War I, this obnoxious social/political theory, currently augmented with equally thoughtless legal justification and seasoned with venal economic voodoo, threatens to become the order of the day. It appears in many guises, and it wears many masks, but at the essence the identical notion and proposed nostrum endures.

Consider some of the costumes worn by this theory of reparations due for past bad acts. The offspring of a late, talented black baseball player whose playing days terminated long prior to 1946 not only laments her father's inability to show his wares in the major leagues but also seeks monetary recompense for the ancestor's unfair deprivation. An outdoors enthusiast not only mourns the loss of pristine purity in the lakes and woods adjacent to the city of his residence but also demands sanctions against corporate "polluters" for long-past acts perfectly legal and reasonable at the time of commission. Nisei interned in relocation compounds during World War II receive damage awards funded by taxpayers unconceived at the time of hostilities.

Many of those individuals who believe reparations are due to them or to others present a superficially appealing case. Divers baseball fans would have enjoyed the opportunity to see stars in the old Negro leagues such as Satchel Paige, Josh Gibson, and Cool Papa Bell matched against Babe Ruth, Ty Cobb, and Lefty Grove. Myriad sportsmen and campers feel pangs of grief when they happen upon a changed countryside pejoratively labeled "despoiled." Numberless men and women of goodwill wonder what possessed Franklin Delano Roosevelt and his henchmen to treat Japanese-Americans so cavalierly. (Incidentally, these same folks often regret Abraham Lincoln's suspension of the writ of habeas corpus and the concomitant lack of courage on the part of the Reconstruction Supreme Court when called upon to deal with such a salient subject in *Ex Parte Milligan*, 71 US [4 Wall] 2, 18 Led 281 [1866].)

Yet, as is so often the case, removal of the mask of rage and righteousness reveals the consummate evil inherent in the very act of compelling reparations in these or like instances.

Common Law

First, the common law—the most just system of jurisprudence ever crafted by a fallible mankind—requires fault and causality before granting an

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award of damages. Further, fault depends upon foreseeability, knowledge, and reasonable ability to avoid harm existent at the time of the act or omission, not upon some subsequently discovered cultural or scientific truth, supposition, or superstition. The actor must adhere only to the mythical standard of the "reasonable and prudent man, under the same or similar circumstances."

In other words, in order to employ the law to grant P a money judgment against D, P must prove that D acted in a faulty (careless or intentionally wicked) fashion, and that such conduct caused P harm in the amount sought in his complaint. And, the fault component of D's actions is measured against the standard of the reasonable man at that time: D need not possess the foresight to know what will be discovered next year, next decade, or next century, nor must he fathom decrees of future courts and legislators.

Thus, one might suggest that George Washington's doctor committed malpractice in bleeding his patient during the first President's fatal bout with pneumonia in the late 18th century; it would take a great deal of temerity to sculpture a legal system which would allow George Washington's heirs or representatives to sue the physician's heirs or representatives in the 20th century and to recover damages for wrongful death based upon the insight gained in the 19th century that bleeding ill patients tends to be counterproductive to recovery and good health. It is equally unseemly to assess damages against Corporation X in the 1980s for cutting timber or discharging waste a century before—particularly where the earlier workmen and officers followed common practice and broke no law. The theory of due reparations simply does not accord with the tried-and-true common law tradition.

Granting Men Their Due

Second, no acceptable theory of justice supports the claim of due reparations. Justice means to grant men their due and no more. It requires unbridled respect for free choice. Given the fundamental premises of justice, the government ought not be in the business of righting wrongs and correcting slights outside of the bounds of the traditional common law.

Indeed, given the changing rules, mores, and knowledge of mankind, and our inherent finity, no entity or individual could come close to comprehending and rectifying any, let alone all, past misdeeds. Face it: few of us can understand past events and unravel their causes; it is doubtful very many could agree upon the propriety or impropriety of most past acts even if it were possible to comprehend all essential factors in the causal chain. And none of us are capable of discerning, securing, and distributing a perfect justice or restitution in these or like situations. Finally, even should a man or woman appear upon the scene, possessed of the ability and willingness to undertake this monumental task, it is an absolute certainty that he or she could never achieve political selection or election to exercise that talent. Thus, those who employ the theory of due reparations not only evade the common law tradition but also prescribe and seek to perform an act which no mere mortal could possibly achieve.

Furthermore, the calumny and calamity of this misguided nonsense doesn't end here. One cannot achieve justice by the commission of injustice. One does not better the world by stealing from A and transferring those stolen goods to B (less a handling charge, of course), even with the most laudable of motives.

If A carelessly struck B with his automobile, or punched him in the nose, or broke a contractual promise to B, and thereby caused B harm, the common law permits a judge or jury to render a judgment against A and in favor of B for the amount of the loss thus caused, but no more. But neither law nor justice should enable B to take money from a faultless A to compensate for some real or imagined past slight or harm caused by someone else. To do so penalizes A in a most vicious manner; it creates a second injustice in a vain attempt to rectify a presumed first injustice; and, it performs this nefarious activity under a subterfuge of high-sounding words and inspired causes designed to obscure the true nature of the deed.

I don't control organized baseball; how can I be charged for the misdeeds of men long dead? I couldn't vote in 1940 or in 1944, and had I possessed the franchise I most assuredly would not have cast a ballot for FDR (or probably for his Republican adversary); how can I be blamed and punished for placing Japanese-Americans in relocation camps? I wasn't around in 1850 or 1900, so I cut no trees and poured no waste into a pond, nor did I use any good or service supposedly resulting

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from those activities; how can any person of sound morals assess me for these ancient acts?

The Nisei internment offers an illustration of the deeper wrong occasioned by the squalid theory of due reparations. The government instituted and carried out the relocation program; no private person or entity not linked to the state compelled individuals to leave their homes and property.[1] It is plainly unjust to shunt responsibility for 1940's individual mistakes unto the shoulders of 1990's individuals. It is even less commendable to mulct 1990's individuals for earlier state malevolence, misdeeds which most likely could not have been stemmed by dissenters during World War II given the fact of an oligopoly government directed by Caesars not accountable to any reasonable restraint or common moral code. It would make as much sense if in 1940 Dictator Dan, despite the adamant protests of John, executed Abel for refusing to pledge fealty, and Dictator Dan Junior in 1980 executed John after deciding that Dictator Dan had wronged Abel!

The Duty of Law

The unpleasant treatment of racial, religious, or cultural minorities certainly deserves condemnation, not applause, just as all destructive and ignoble acts should be censured by men and women of goodwill. But, one ought to differentiate between acts and omissions deserving of moral opprobrium and those subject to rectification by the law. The law should punish fraudulent and violent conduct; but no law can aptly prevent discourteous, unkind, and mean-spirited slights. Men and women are not perfect; they behave badly and boorishly, and they generally cannot even agree upon the content of proper behavior. The changing countenance of the law and of the standard code of behavior signify that fact. Even the common law cannot effectively redress grievances deriving from fraudulent or aggressive activities when all essential participants—particularly the aggressors—are dead and gone. *A fortiori*, one ought not employ normative rules and orders in an attempt to redress mere

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shabby conduct, no matter how disgusting, particularly in the absence of all salient actors.

The credo of due reparations is both impermissible and impossible. Any taking from a faultless individual for any purpose other than deterrence of aggression and maintenance of a system of common justice necessarily involves an impermissible transfer of wealth and liberty. Any such transfer violates all principles of justice and good morals. Those who order the transfers, and those who accept their benefits, necessarily accept the axiom of "might makes right" and subscribe to the concept that their ideas and choices ought to count for more than the selections of other people—even if those other people created value which must be commandeered from them.[2] Furthermore, the theory of due reparations runs afoul of the positive law, specifically the jural principles undergirding statutes of limitation. An orderly society requires civil peace, harmony, and rectitude, and the common law has long recognized that justice and order demand that there be an end (no matter how imperfect) to claims and litigation. Also, it is patently unfair to compel a defendant to answer for an alleged wrong long after the fact, when his witnesses have died or strayed, and his defensive evidence has melted along with human memory and ordinary record-keeping.

For these reasons, the common law developed the doctrines of law of the case, *res judicata* and *stare decisis*, and its equity counterpart established rules of laches, all apart from the legislatively prescribed time limits embodied in statutes of limitation. Nonetheless, the theorists of due reparation push onward, unmindful that their late blooming claims upset the civil order and place the putative defendant at a great evidentiary disadvantage. Indeed, most proponents seem oblivious to the incongruity between opening all manner of old wounds whilst the ordinary legal proceeding is time-barred for late filing.

Some suggest that special harms require special treatment. Unfortunately, such exceptions tend to swallow the rule, obliterating all of the age-old rationale for civil order and fair treatment of defendants with it. The very concept and label of "special harm" betrays the subjective value judgment inherent in the proponent: we all have our pet peeves and projects for which we wish "special" treatment. Yet, good sense and sound experience demonstrate that law and justice must be dispensed in an even-handed fashion, "on a fair field with no favor." It is only when such evenhandedness prevails that liberty reigns and its fruits also prevail and redound to the benefit of each of us.

Given these defects and deficiencies in the theory, what do the proponents of reparation seek to accomplish? Nothing less than a reorganization of society in their own image and a sating of their subjective desires at the expense of others whose creeds, ideals, and wants the proponents think should not count in this brave new world.

In sum, the theory of due reparations partakes of the same malady which afflicts all such social action transfers: someone conjures up a "need," seizes political office, and employs the state powers of taxation, police, and eminent domain to force upon the unwilling populace the conjurer's notions of "need" and "solution." Those who pay the freight have no say in the matter, and the politician reaps the benefits provided by the carrying charges necessarily attached to the proposed solution. □

1. The criminal-duty-imposing laws against assault, theft, extortion, and other misconduct ought to be sufficient to deter and punish private wrongdoers. And, if the state refuses to enforce criminal sanctions against such malefactors, the public officials should be subject to appropriate civil and criminal liability.

2. One certainly could advance additional arguments against the flawed theory of due reparations. For example, transfer payments which lack a sound legal and moral basis constitute an affront to several economic principles. As utilitarians and other pragmatists have long recognized, transfer payments inhibit the productive process and the creation of wealth by reducing the incentives of both transferor and transferee. The "end game," as Frederic Bastiat revealed, is the circle of pickpockets, each trying to steal from his neighbor. In addition, while beyond the scope of this paper, one could make the case that a severe psychological societal malaise flows from such beggar-my-neighbor policies. Hence, while I focus here upon common law and common justice, others could make the same point by virtue of alternative reasoning.

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From Gangland to Corporate America

by William Granville, Jr.

In 1957 I was head of an inner-city gang in New Jersey called the "Whips East Trenton Trotters" that had a snake as its symbol. Once, I led my gang in a brawl with a rival gang which led to the closing of Trenton High School for a day, a school with 2,500 students. I almost ended up in jail for a long stay, but Mrs. Bessie Hill saved my neck.

In her work as a teacher and guidance counselor at Trenton High, she probably had many calls to rescue unruly boys who got themselves into as much trouble as I did; some of the times she must have said "no." But she saw something in me, something even I didn't know was there, and she stuck her neck out to save mine.

Trouble? If I had never learned the meaning of the word before, I knew it the next day. For most people in Trenton, 1957 was a year of fast cars, tail fins, and booming confidence in a better future. I had no confidence in any future beyond the gang. Now, a Mercer County Juvenile Court judge was looking balefully down from his bench, ruffling papers from a thick file of all the things I'd done to upset local authorities.

My mother, sitting next to me, was crying uncontrollably, but otherwise the chamber was deadly quiet. I was quiet, too, thinking about what it would mean if the judge sent me up. Mrs. Hill, who had come from school to appear with me, moved nervously in her seat every time the judge peered at me through his bifocals. As the judge related my past history and considered my most recent offense, most charitably described as trashing the high school in a free-for-all rumble, I started to think of all the people who would be disappointed in me. How did I get to this point? I had let so many people down. All I could do now was stand there and shake while a stern, elderly man in black figured out what to do with me.

Mrs. Hill, who had taken her own time to accompany me to court and stand up for me, helped to stem the alienation my mother and I felt. Mrs. Hill saved my neck in court that day, and afterward educationally. And I needed a lot of saving. She had seen something in me, despite the dismal grades I had earned in my industrial arts courses. She spoke up firmly when the judge called on her, telling him I was a good boy who had fallen in with the wrong crowd. I had something to offer society, something better than it had seen from the leader of the Whips, if I could straighten out. She asked the judge to give me one more chance, and he must have sensed something too, because he gave it to me.

Thank God for Mrs. Hill. She challenged me, and as an 11th grader, I decided to give academic studies a try. I was scared to death. All my test grades read either "D" or "F," and here I was enrolled in college preparatory classes because someone believed in me.

As it turned out, Mrs. Hill had been right. I had been wrongly placed in the industrial arts curriculum, and I took to the new course load like a duck to water. She was behind me all the way, and what she told my teachers caused many of them to take a fresh interest in me. That motivated me. When Mrs. Hill and others showed interest, I felt I was worth something. It was an amazing

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experience; I hadn't known such feelings before.

In recent years, I've felt it was my turn to give something back to Mrs. Hill and all those others who invested their time and energy in rescuing a confused young man who didn't know what to do with himself. I want to create some good feelings of my own for young people who might not have a chance to succeed otherwise. I want to take motivated minority high school students and get them grounded in the business world, so they can begin their climb and later reach back to help others. That is the primary mission of the Granville Academy (named to honor my parents), a nonprofit organization designed for students ages 13 to 18. At the Academy, they can gain introductory knowledge of business and industry, including an understanding of the language, basic principles, and environment in which industry operates.

The Birth of an Idea

The idea for the Academy came to me during a long plane ride back from the Middle East in 1980. During the late 1970s and early 1980s, I was traveling 40 percent of the time. I was then manager of technology transfer, working with Mobil's multibillion-dollar joint venture projects in the Middle East. These included a refinery, petrochemical plant, and pipeline, all constructed in Saudi Arabia.

At that time there were many skilled jobs in Saudi Arabia and not enough Saudis to fill them. The joint ventures were formed because Saudi Arabia wanted to industrialize. The Saudis intended that the oil flowing so plentifully from their lands would drive their country into a new modern age. The joint venture corporations wanted to recruit, develop, and retain as many Saudi nationals as possible. Quite a few foreign companies were working in Saudi Arabia, and they all were competing for young Saudis.

When you can't buy skilled employees on the labor market, you have to develop your own. The venture companies sought out young Saudi nationals from all the nonindustrial areas of the country.

Most of these young people couldn't speak English, let alone the technological and financial language of industrialized corporate America. They had to be taught these languages by the American companies involved in the projects. And through hard work and perseverance, the ventures succeeded in developing a new corps of Saudi nationals, skilled and prepared for top jobs. We got the job done together, and the young Saudis became an integral part of our project.

Now many of these Saudis are senior engineers or high-level managers of the joint-venture corporations. That's starting from a dead stop, going to the top in seven or eight years. It made me think.

If American corporations can train and develop thousands of unskilled and inexperienced youngsters in foreign countries and enable them to hold significant positions in highly complex industrial projects, why can't we do the same for underprivileged youth in our own country? I concluded that we can, and that it starts with commitment. With hundreds of millions of investment dollars riding on each venture, our companies certainly had a heavy commitment in the Middle East. During that 13-hour plane ride, I had plenty of time to think. Wouldn't it be great to take the same commitment and concepts—designing learning plans, following up on them, checking at different stages—and apply them to help our inner-city youth, so that some day they could hold key positions in corporate America? At the time, I had no notion of an academy, but I thought about working with young people from the inner city in order to share some of the things I had experienced. Something inside told me that this Middle East discovery could be adapted to help disadvantaged youths in Trenton.

Helping inner-city youngsters had always been a dream of mine. Starting with that plane ride, and for the next three years, I planned and organized for the start of the Academy. In the initial program in 1983 my efforts were focused on students in the eighth through tenth grades, 13 to 16 years old. I wanted to start with youngsters at an early age, since I realized it would take a generation or two for blacks to truly arrive in corporate America.

The Granville Academy

The process and content I used in starting up the Academy have remained essentially the same. The Granville Academy, an intensive, after-school program, enrolls all beginning students in an Entry Group. The Entry Group is designed to complement the students' normal school schedule. One of the goals is to emphasize the importance of skills in accounting, writing, and speaking for success in corporate America.

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There is a strong emphasis on creativity and development. Teamwork is an important part of the curriculum. Students are taught to plan and to follow systems and procedures. They learn the importance of setting high standards for themselves. This commitment to following schedules and producing a finished product teaches students to deal with routine detail and deadlines as they work to achieve quality performance. It encourages them to expect and seek rewards as a result of their work on this finished product.

Students are chosen based on their high motivation and interest as well as academic achievement. In the beginning, we looked for youngsters who had top grades. Later, however, we included those who displayed high motivation even if their grades were low. Typically, students should demonstrate above-average performance in school, possess leadership skills in non-academic activities, and show good judgment in personal decision-making. A thorough review is part of the selection process, including communication with school personnel, students, and parents, and a review of transcripts. The Entry Group meets at Princeton Theological Seminary. Its members are bussed from Trenton to the seminary by members of the Trenton Jerusalem Baptist Church.

At Academy sessions, we introduce teenagers to a whole new language:

- Principles of savings and investments;
- Finance and accounting;
- Effective business writing and oral communication skills;
- Interpersonal skills;
- Domestic and international commerce;
- Stocks, commodities, and other markets;
- Compensation and other "perks" in corporate America;
- Science, engineering, and technology's role in business;
- Annual reports, financial statements, and business media;
- Leadership skills.

The Granville Academy's theme is "Grooming Tomorrow's Capitalist—Our Investment in the Future." We want students to be successful, but we also want them to contribute something to their home community once they have succeeded.

That theme has been the flash point for many conversations. It came about when somebody pointed out to me how often I was skirting the use of the word "capitalism," as if it were something to be ashamed of. I thought to myself, "He's right." You have Communists in China, the Soviet Union, and North Korea adopting capitalist concepts, why should it be less reasonable to do the same in America? Why can't the East Trentons and Harlems of the West do the same as Communists in the East?

Still, the reluctance to use the word "capitalism" needs to be explained. Black Americans have been buffeted by all kinds of "isms" since the 1960s, and the leftover rhetoric of "the system" and the evils of the status quo are still with us. Thus, you can imagine the reaction of inner-city community leaders when they first heard we were going to "groom tomorrow's capitalists."

A New Message

For most blacks in the inner city, "capitalists" were people who owned everything, surrendered nothing without a knockdown, drag-out fight, and were quick to deny credit or repossess cars, furnishings, or houses during bad times. People who had worked all their lives in factories and then watched them close and move away, or just close down altogether, thought "capitalism" was a dirty word. They had been told over and over that the reason these things happened was that capitalism ordained such ills.

And here I was, going around with the message, "Hey, take advantage of the capitalist system." Not only that, I wanted to groom their children to be tomorrow's capitalists.

Extensive travel outside the United States helps one to see that all countries buy and sell goods and services, that managed economies stagnate, and that entrepreneurship is the most efficient way to encourage development of the good things Americans take for granted. Most of the people I was talking to had never seen the hungry multitudes I saw in Third World cities, had never reflected on the long lines of people outside U.S. embassies and consulates waiting to apply for visas to come here.

They also had never been required, as I had, to look beneath the rhetoric of foreign leaders who denounced "materialistic, capitalist" values but demanded high prices for the resources their countries could sell and insisted on the best of luxuries for themselves, their families, and their friends.

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William Granville, Jr. (standing), and Harold B. Vereen (right) overlooking some of the students at the Granville Academy.

It seems curious, in the heartland of capitalism, that systems of economic organization that everyone else is eager to learn would be hard to sell; but they were. People didn't want to hear what I had to say; but I kept it up. Sometimes I used different tactics. I would say to parents that I saw their sons and daughters someday as chairman of the board at General Motors, chief financial officer at IBM, president of Xerox, head of Mobil. Most people understand the language of ambition even if they rarely admit it in public, and blue-collar workers are no different. Everyone wants his or her children to go as high as possible, and so people began to open up to that message.

To deal with some of the initial misunderstanding about what I was trying to do, I got as many people involved in the project as I could. We sent announcements to churches, schools, fraternities, sororities, and community groups. I made sure the presidents and chief executive officers of traditional community groups were involved. I communicated with uplift organizations such as the Urban League and N.A.A.C.P., and with many cultural and religious groups.

The secret to getting this project off the ground was credibility, a factor which can't be emphasized enough. I needed to prove to people that this wasn't just some wild idea I cooked up.

It takes success to win over skeptics. We started small, and the word began to spread: "Hey, they're teaching good stuff to these kids at the Academy. It's new, it's not like the things we've been told before." The Academy students went back to school with new motivation, and their teachers started to see them express themselves better. They, too, became believers. Families paid more attention to their youngsters' school work. And when the students started to talk about credit cards, mortgages, insurance, and automobile purchases, their parents listened. The youngsters knew what they were talking about, and the information was useful. Members of the business community saw black youngsters talking stocks and bonds, science, engineering, and technology in

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business, and their ears perked up as well. Today, the Academy is a resounding success. Now we have people asking to volunteer, for we're on very solid ground.

I chose Princeton Theological Seminary, about 15 miles north of Trenton, as a site for the Academy. I knew I had to take the young men and women out of the inner-city environment. I wanted the students to feel inspired, in a place whose reputation is above question. Some of the people with whom I discussed sites thought perhaps I was trying to start a new Black Panther Party and didn't want to involve their institutions. "Thirty kids from the inner city? What?" The first year was catch-as-catch-can. Academy sessions weren't fully mapped out with syllabuses and lesson plans. The perspective that first year provided allowed us to get going on a more orderly schedule. Because of the large corps of volunteers, I now had a team and was able to examine the successes and failures of the first year and decide what to change.

For example, we moved the schedule up. Our after-school programs were running too late into the night. In the second year we started our meetings earlier in the evening so the students could be finished before 9 P.M. Also, we hadn't allowed for enough student participation. We had to add more group exercises. It became evident that it wasn't enough just to tell youngsters about the principles of accounting and finance; we had to get them actively to use those principles in discussion. So we gave them cardboard signs reading, "Owner's Equity," "Marketable Securities," "Leveraged Buyout," etc., to carry on the bus between Trenton and Princeton.

Parent involvement is the key to any new thrust in education, but we found that many parents weren't communicating with their children. That meant bringing in the families to get them more involved in the activities. And not every person who is a good role model knows how to talk to young people. Role models who spoke on important topics but failed to get across to the students were reassigned to other, more productive activities.

The Next Step

When students complete the Academy's Entry Program, we hold a formal graduation ceremony. Graduation activities provide rewards and recognition for high achievement and are a potent motivator to the students. After graduation, participants receive immediate membership in the Granville Academy Advanced Group. They get information on how to qualify for programs such as Inroads' Corporate Interns Program. Graduates also get subscriptions to *The Wall Street Journal, Fortune, Business Week, US Black Engineer*, and *Black Enterprise* magazines, as well as two shares of stock in a major corporation. The stock is purchased and the students are enrolled in a dividend reinvestment program through the National Association of Investors Corporation.

By 1988, the Granville Academy had garnered enough support to expand. It still starts at the eighth grade level, but now instead of stopping at grade 10, it goes right up through grade 12. Rider College, several miles from my home in Lawrenceville, outside Trenton, N.J., agreed to help sponsor the Advanced Group Program, which has two subgroups in science, engineering, and technology (SET) and finance, accounting, and economic disciplines (FED).

The first of these Advanced Group programs was launched at Rider in September 1988. The idea came when we surveyed the Entry Group graduates to find out their career interests. Most chose something related to finance, economics, science, or engineering. We decided to divide the advanced students into the two groups, SET and FED.

If America is to compete effectively with Europeans and Asians, especially the Japanese, more young people must be active in these disciplines. Students in the Advanced Program attend joint sessions as well as those in their specific areas of concentration. We do this because it is important for future accountants to know something about the functioning of computers, just as it is important that researchers understand the power of economics.

The president and CEO of the Academy is Harold B. Vereen, who has 14 years' experience in corporate America and now runs a successful marketing and advertising consulting firm, Vereen Enterprises of Levittown, Pennsylvania. His clients include Pepsico, Amerada Hess, and Unimark, Inc. He brings to the Academy outstanding leadership skills.

A total of 130 students attended the three sections of this year's program. The Academy is readily adaptable to being established in other cities.

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Plans for the future include starting academies in a number of other major cities such as Cleveland, Camden, Los Angeles, and New Orleans.

One of the Granville Academy's most significant features is the price. Tuition is free. When you're working with inner-city youths, financial obstacles can be significant barriers to participation.

That's not to say the Academy runs by magic; it still needs money, roughly $45,000 a year to operate its programs. When it first started, there was only one program, and the expenses came mostly out of my pocket, as needed. Now its list of supporters has grown. I contribute only what isn't raised from the community and from corporate supporters. That support has been easier and easier to get, for once corporation personnel began to understand what we were doing, they were quick to come on board.

My employer, Mobil, is very high on employee voluntarism for worthwhile causes. Mobil has supported the Academy and my efforts, financially and in other ways. The Academy also has received financial or other assistance from Career Communications, publisher of *US Black Engineer* and *Hispanic Engineer* magazines; Rider College; the National Action Council for Minorities in Engineering; the Princeton Theological Seminary; and Inroads Inc., to name but a few organizations.

I have always had the goal, however, to get the Academy on a financial base of which 65 percent comes from community support and only 35 percent from outside. Blacks won't achieve economic integration unless most of the financing comes from within our community. The money is there, but so far it hasn't been used in ways that enhance the community's ability to provide for its own future.

The Church's Role

I believe inner-city black churches represent major sources of funds. The black churches are the most organized and respected groups in any inner-city black community and have the best track record of raising funds for important causes.

I would like to build on this potential support base. Church members, for example, could set aside small portions of their regular contributions for mini-academies to be established within their own buildings. That wouldn't take any huge donations from individuals, but many small contributions. It's the difference saved by forgoing an extra basketball game, or choosing not to have another soft drink. I believe people will be willing to contribute if they know the Academy is successful and that their money is used wisely.

This is only the beginning of what I see as steps to address a major need in this country. We must have more Mrs. Hills in this nation who believe in young people. They need to translate their beliefs into action as Mrs. Hill did. It is also my fervent hope that the Academy's alumni will develop into a network of graduates helping each other and providing motivation to make it through college and to find good jobs.

The Granville Academy concept is a method of helping young people as I was helped. It works because we have kept the concepts simple and basic, and because we request only minimal time from people who volunteer their service as staff and role models. It is in tune with the needs of corporate America to help meet this nation's human-capital and educational crises. It fosters a team spirit among students, parents, and staffers who have a clear understanding of the mission, objectives, and goals of the Academy. Finally, the Academy succeeds because it's relatively inexpensive with its all-volunteer staff.

If academies were in place wherever young minority students live and go to school, they would go a long way toward resolving this nation's need for fresh, talented, highly motivated human capital in science, engineering, and high technology. □

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Perestroika's Missing Ingredient

by E. C. Pasour, Jr.

Perestroika, Mikhail Gorbachev's widely discussed restructuring of the Soviet economy, has done little to improve Soviet living standards. Are the heralded perestroika reforms consistent with the increased use of market forces to organize production? Is the proposed restructuring of the Soviet economy ever likely to raise living standards for the Russian people? Unfortunately, a necessary ingredient for economic coordination in a productive economy is missing in Gorbachev's perestroika. In fact, so long as the restructuring of the economy fails to heed the lesson from the socialist calculation debate that occurred more than 50 years ago, perestroika is doomed to failure.

The Socialist Calculation Debate

In the 1920s and 1930s, Ludwig von Mises and F. A. Hayek demonstrated that successful economic planning is impossible in a centrally directed socialist economy in which market prices are necessarily absent.[1] Without market prices there is no possibility of calculating costs, no meaningful profit and loss signals, and no way to determine the goods and services most highly valued by consumers.

Decentralized markets bring about economic coordination in two ways. First, market prices coordinate and transmit information to various participants in the competitive entrepreneurial market process more completely and accurately than can be done through central direction. Indeed, Hayek showed that a great deal of economic information is highly specialized to time and place and that these data cannot be conveyed in statistical form to central planners.

Consider the land market. A tract of land may have a number of alternative uses, including housing, industry, recreation, and agricultural production. The land market is unique in its ability to channel land to different uses, taking into account the supply of land and the demands for its various uses. For example, when the demand for corn rises, producers tend to bid up the price of land that is suitable for growing corn and increase the amount of land used in corn production. Furthermore, producers need not know *why* the demand for corn has risen in order to take the action that is socially beneficial. The correct action occurs as profit-seeking entrepreneurs respond to price signals. No method of central direction in allocating resources can match market prices in effectively using the data held by present and prospective market participants to achieve the pattern of production most consistent with consumer preferences.

The second way that decentralized markets bring about economic coordination is through the entrepreneurial discovery process. Expected profits provide the inducement for alert entrepreneurs to become aware of profit opportunities and to search for more profitable production methods, including the development of new products.[2] A major shortcoming of all alternatives to extensive use of free markets is in the area of economic change and innovation. The lesson of the economic calculation debate is that there is no alternative to decentralized markets as a means of discovering and achieving the most productive pattern of resource use. Stated differently, a socialist economy is necessarily inefficient as a means of organizing production.

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Market Socialism and the Missing Ingredient in Perestroika

Despite the cogency of their argument that socialism is less productive than a market system, Mises and Hayek failed to convert the proponents of socialist planning during the 1920s and 1930s. Indeed, the issues discussed in the economic calculation debate at that time were largely forgotten as government control of the economy increased following the Great Depression and Keynesian revolution of the 1930s.

In convincing their critics of the importance of prices, Mises and Hayek inspired attempts through "market socialism" to simulate or duplicate the end results of the operation of a free market economy and to use those results to run the economy. The oxymoron "market socialism" refers to mathematical procedures developed by Oskar Lange and other economists to refute the finding by Mises and Hayek that socialism is necessarily inefficient. Using mathematical optimization techniques, it was demonstrated that a central planner, if *given* data on available resources, production alternatives, and consumer preferences, can determine the pattern of resource use that most fully accommodates consumer preferences for goods and services.[3]

Hayek, however, showed that this mathematical exercise has little significance for economic planning under real world conditions. In assuming that the planner is *given* information which can be revealed only through the operation of the market process, the market socialism approach *assumes away* the most important economic problem—the efficient utilization of knowledge. The required information to determine the most productive pattern of resource use is not given to planners. Furthermore, there is no way that much of the highly specialized information relevant to economic decisions can be assembled, coordinated, and transmitted through central direction. The result is that while "market socialism" may not be logically contradictory, it is practically impossible because of information problems.

The lesson of the socialist calculation debate is that there is no way efficiently to "reform prices" in a socialist system. However, the Soviet planners appear to have learned nothing from it. In an attempt to deal with the economic crisis, Soviet Prime Minister Nikolai Ryzhkov outlined the government's new perestroika plans in December 1989. He pledged to "reform prices" and to boost output of consumer goods, but indicated no plans to make fundamental changes in the system of government ownership and control of the economy. Consequently, it is predictable that the new perestroika plan, consisting merely of cosmetic reforms of the Soviet central planning system, will have little effect on the lagging economy.

The missing ingredient of perestroika is private property with decentralized markets. Mises and Hayek demonstrated that the "market socialism" goal of maintaining socialism while determining market prices through mathematical procedures is a vain hope. A socialist system cannot be organized through the market because markets without divisible and transferable property rights are a "sheer illusion."[4] Therefore, meaningful economic reforms are ruled out so long as Gorbachev remains adamant in his resolve to search for answers to the economic crisis *within socialism*, as he wrote in his 1987 book *Perestroika*: "To put an end to all the rumors and speculations that abound in the West about this, I would like to point out once again that we are conducting all our reforms in accordance with the socialist choice. We are looking within socialism, rather than outside it, for the answers to all the questions that arise. . . . Every part of our program of perestroika . . . is fully based on the principle of more socialism. . . ."[5]

Perestroika will not bring about a significant improvement in living standards without reforms that are incompatible with socialism. Gorbachev wants the material productivity associated with a market economy, but he is unwilling to forgo socialism. Yet, the "socialist choice" is incompatible with market prices that provide the correct signals to producers and consumers in the entrepreneurial market discovery process. Consequently, little improvement will be forthcoming without the institution of private property and the associated sweeping reduction in powers of central planners that are required to overcome the current inefficient system.

Perestroika isn't working because it is merely a reworking of the old five-year planning methods that have culminated in the current Soviet economic crisis. Gorbachev's concept of perestroika within socialism was brilliantly satirized by Soviet economist G. K. Popov in the Soviet Congress when the new perestroika plans were announced

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WIDE WORLD PHOTOS

Mikhail Gorbachev

last December. Using an example of the precise, hyperbolic predictions of seven decades of central planning, Popov memorably contrasted the Gosplan technique of ordering production to meet national goals with the decentralized approach: "This hen will produce 180 eggs this year, 183 eggs the next, then 185. Why don't we finally leave this hen alone and let her live with her rooster? Thanking us for her independence, this hen will provide us with enough eggs."[6]

Popov, at least implicitly, accepts the lesson from the economic calculation debate—central planning is no substitute for economic freedom as a means of determining the mix of production and of organizing production to achieve this result. The unplanned nature of the decentralized free market economy also is highly significant from an ethical standpoint. However, consideration of the moral implications of the planned economy is beyond the purview of this essay.[7]

Conclusions

Private property is the most important missing ingredient in perestroika. There is no satisfactory alternative to a widespread use of the free market, but this is incompatible with government ownership of resources. The lesson of the socialist calculation debate suggests that the attempt to solve the Soviet economic crisis by "looking within socialism, rather than outside it" will fail. Gorbachev's perestroika plan, which holds that prices can perform their role in productively allocating resources in a collectivist economic system, is a grand illusion. □

1. See F. A. Hayek, ed., *Collectivist Economic Planning* (Clifton, N.J.: Augustus M. Kelley, 1974 reprint of 1938 edition); F. A. Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948); and Ludwig von Mises, *Socialism* (London: Jonathan Cape, 1951).

2. Israel M. Kirzner, "The Economic Calculation Debate: Lessons for Austrians," *The Review of Austrian Economics*, Vol. 2 (1988), pp. 1-18.

3. Oskar Lange and F. M. Taylor, *On the Economic Theory of Socialism*, Benjamin E. Lippincott, ed. (Minneapolis: University of Minnesota Press, 1938).

4. G. Warren Nutter, "Markets Without Property: A Grand Illusion," ch. 15 in *The Economics of Property Rights*, ed. by Eirik Furubotn and Svetozar Pejovich (Cambridge, Mass.: Ballinger, 1974).

5. Mikhail Gorbachev, *Perestroika* (New York: Harper and Row, 1987), p. 22.

6. Francis X. Clines, "Soviets Try Shift to Ease Economic Ills," Raleigh *News and Observer*, December 14, 1989.

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Consumer Sovereignty

by Bettina Bien Greaves

From time to time, insightful economists have *described* the operations of a market economy. Many have noted that no central planner is needed to tell producers what to produce, when to produce, how much to produce, and what quality to produce. Adam Smith, often called the "first economist," pointed out in 1776 that the butcher, the baker, and the brewer are guided as if by "an invisible hand." Frederic Bastiat remarked in 1845 that Parisians need not fear starving the next day, but could sleep peacefully in their beds, confident that the city would be provisioned during the night.

However, it was only with the development of the subjective, marginal utility theory of value by the Austrian school that economists *explained* why the market needed no central planner, why no one needed to direct the butcher, the baker, the brewer, or to plan the provisioning of Paris. It was Ludwig von Mises (1881-1973), leading spokesman for decades of the Austrian school, who clearly demonstrated the consumer's crucial role in production.

Every one of us has personal, subjective values, the Austrian economists point out. Each of us acts in response to our respective values. When as consumers we buy, or refuse to buy, we send a message to the entrepreneurs who guide production. Entrepreneurs "are at the helm and steer the ship," Professor Mises noted. "But they are not free to shape its course. They are not supreme, they are steersmen only, bound to obey unconditionally the captain's orders. The captain is the consumer." Let's see how Captain Consumer directs production.

Recent accounts of economic conditions in the U.S.S.R. tell of serious shortages—of soap, for instance. Why? It is said there are bottlenecks in the production of paraffin needed for producing sulphanol, an ingredient used in making soap; hence the production of soap is held up. It is charged that the responsibility for soap-making is dispersed among several governmental departments, each with other more urgent responsibilities; hence soap production is neglected. But the real reason for the shortage of soap is the lack of opportunity for entrepreneurs to respond to the wants and wishes of consumers.

A widespread shortage of soap would never exist in a country with freedom of opportunity and respect for private property. At the first sign of demand for soap over and above available supplies, some entrepreneur, hoping for profit, would try to fill the gap, by starting a small soap-making operation of his own, or by shipping soap from where it was more abundant. The demands of consumers would guide him.

Given the lack of soap in Russian stores, why doesn't someone there start to make soap at home? Soap isn't very difficult to make and the ingredients aren't expensive. Many of our grandmothers and great-grandmothers used to make soap. Old cookbooks give recipes. It can be made from readily available raw materials: wood ashes, fat, lye, and salt.

Let's assume for a moment that an enterprising Russian housewife and her children weren't

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DAVID L. JARRETT

Ludwig von Mises

deterred by the threat of government regulation and decided to make soap on their own. Wood ashes they would have aplenty. Also fats left over from cooking. By pouring water over the ashes and letting it stand, they could leach out a form of lye. This they would then mix with the fats, add salt, and heat until a crude kind of soap began to form. Not a very fancy soap, to be sure, but a usable soap, which in view of the shortage in Russia, consumers would undoubtedly welcome.

Each Russian consumer who chose to spend money for this new soap, instead of something else such as cigarettes, would vote his personal values, transferring rubles to these enterprising soap-makers while, at the same time, sending fewer rubles to the producers of cigarettes. As consumers purchased soap in preference to cigarettes, they would be giving the venturesome soap-makers more and more rubles, providing them with a profit, and encouraging them to continue production.

Freedom to Choose

Consumer sovereignty is consumers making choices one by one, consumers buying one thing and not another, consumers transferring their money to some producers and not to others. The process isn't invisible; it isn't miraculous; it only seems miraculous in that it directs production without a central authority having to plan or give orders.

If consumers still clamored for more soap after the first batch was gone, the enterprising soap-makers would expand production, in response to consumer sovereignty. As more and more consumers bought their soap, the soap-makers would profit. And their success would induce others to start producing soap, perhaps an improved variety, this too in response to consumer sovereignty. As sales grew, the soap-makers would have to look farther afield for supplies of wood ashes and left-over cooking fats. Consumer sovereignty would soon impact on suppliers of these raw materials too, affecting the prices they asked and could receive for raw materials, persuading them to sell to the soap-makers, and perhaps even to expand their production. In short order, as consumers assumed control, the production of soap in Russia would rise and the shortage would disappear.

Consumer sovereignty is manifested by consumer purchases and refusals to purchase. As long as customers continued to buy soap, they would keep on transferring money from other segments of the market to pay for their purchases. In the process, they would help to make those soap-producers who responded to their wishes richer. In the final analysis, it is the consumers, as Mises has written, who "make poor people rich and rich people poor. They determine precisely what should be produced, in what quality, and in what quantities."

Russian consumers lack soap and many other goods because potential entrepreneurs have little freedom to go into business, to invest, to experiment, and to try to respond to the wishes of consumers. In Russia, there is a shortage of soap because consumers aren't free to make some entrepreneurs richer by buying their products and others poorer by refusing to buy theirs. In Russia, there is a shortage of soap because the consumer is prevented from expressing his sovereignty on the market. In Russia, central planners, not consumers, are sovereign. □

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Solidarity and Labor Law Reform in the 1990s

by Charles W. Baird

At its 18th biennial convention, held in Washington, D.C., last November, the A.F.L.-C.I.O. again called for major reform of U.S. labor law along the lines of the failed labor law reform bill of 1978. That bill would have made it much more difficult for employers to compete with unions during certification election campaigns and would have greatly increased the penalties imposed on employers found to be in violation of the pro-union rules. It would have made it much more difficult for nonunion workers to remain union free.

Lech Walesa, the leader of Poland's Solidarity union, was the guest of honor at the November convention. He gave a speech in which he thanked the A.F.L.-C.I.O. for its assistance in Solidarity's struggle against Communist oppression in Poland. He even taped a "union yes" television ad for his hosts. Lane Kirkland, the newly re-elected A.F.L.-C.I.O. president, also gave a speech. He accused the Bush Administration of hypocrisy in its simultaneous support of Solidarity and its resistance to the political agenda of the A.F.L.-C.I.O., and he promised a "renaissance" for the union movement in the 1990s.

With less than 13 percent of the American private sector work force in unions, a number that has been falling each year for 30 years, the A.F.L.-C.I.O. has even less political clout than it did in 1978. The prospects for pro-union labor law reform are bleak. However, Mr. Walesa's participation in the convention and his taping of the commercial are a boon for the A.F.L.-C.I.O. Americans appropriately have enormous respect and admiration for Mr. Walesa and Solidarity. His endorsement could make the A.F.L.-C.I.O.'s political agenda more salable.

Solidarity and American unionism are very different things. Mr. Kirkland and the A.F.L.-C.I.O. are inappropriately attempting to free ride on Mr. Walesa and Solidarity. Solidarity is a union all right, but it is not an American-style union. It is primarily a pro-democracy movement made up of workers who voluntarily came together to resist, and later overthrow, one-party dictatorship in Poland. It stands for pluralistic, multi-party democracy with regularly scheduled elections.

American unionism, in contrast, is structured by existing labor law as one-party monopoly rule. It is anti-democratic insofar as it stands for one-man, one-vote, once.

The National Labor Relations Act is based on the principle of exclusive representation. Once a union wins a certification election, it represents all workers on the job. No other union may represent any of the workers, even if some workers want it to do so.

Winner-Take-All

Unionists justify exclusive representation by analogy with winner-take-all elections of members of the House of Representatives. Each member is a monopoly representative of his or her district; so, by analogy, it is proper for a winning union to be a monopoly representative of workers for collective bargaining purposes.

The analogy is inapt. First, the sale of one's own

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labor services is in the private sphere of human action. Mandatory submission to the will of a majority is necessary in governmental matters, but individual free choice is the usual decision rule in private affairs. Second, a labor union is more like a political party (indeed, that is what Solidarity has become) than like an individual member of Congress. We have more than one party in Congress, and workers ought to have access to more than one union at the workplace.

In most political democracies—e.g., Japan, Britain, and West Germany—unionism also is democratic. That is, unionism is based on proportional representation wherein each union bargains only for its voluntary members. Bargaining committees are made up of multiple unions, each with representation in proportion to its membership. Workers are free, on an individual basis, to decide whether to be represented by a union, and if so, by which one. Moreover, they are free to switch their allegiances among unions. This is pluralistic, voluntary, multi-party unionism. It is the form of unionism President Roosevelt endorsed in his 1934 automobile strike-threat settlement. Since it is common in Western Europe, it is the kind of unionism most likely to emerge in liberated Poland.

In America, once a union is elected as exclusive bargaining agent, it does not have to worry about regularly scheduled re-elections. A certified bargaining agent is presumed to continue to have majority support until the contrary is proven through a cumbersome process that must be initiated by disaffected workers willing to bear the expenses—and risks—of attempting to collect signatures on a petition for a de-certification election. Thus in addition to one-party rule, American unionism has no regular elections to determine which party shall rule.

We need reform of American labor law in the 1990s all right, but not the sort Mr. Kirkland has in mind. We ought to substitute proportional representation for the one-party rule of exclusive representation. Failing that, we ought at least to amend the National Labor Relations Act to provide for regularly scheduled re-certification elections. The President and members of the House and Senate must face regularly scheduled re-elections. Why should exclusive bargaining agents be immune from the same democratic requirement?

If unionists defend winner-take-all exclusive representation over proportional representation by analogy with winner-take-all elections of members of Congress, consistency demands that they continue with it to its logical end—regularly scheduled re-certification elections.

The most common objection that American unionists voice against proportional representation is that it is too difficult for employers and unions to handle. With exclusive representation, things are much more orderly. Employers have to deal with only one union rather than many. I suspect that unionists will voice a similar objection to a requirement of regularly scheduled re-certification elections. It is just messy to have to go through another election every two or four years. It is more efficient to assume continued majority support.

This argument from efficiency and order is also used by Communist hard-liners in Eastern Europe and the Soviet Union against multi-party democracy. Mr. Walesa didn't buy it in Poland. Notwithstanding his "union yes" ad, I doubt he would buy it here. □

IDEAS ON LIBERTY

Tyranny

Every wanton and causeless restraint of the will of the subject, whether practised by a monarch, a nobility, or a popular assembly, is a degree of tyranny.

—Sir William Blackstone

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The Genesis of Industrial Policy

by Thomas J. DiLorenzo

Milton Friedman recently proposed the following syllogism which he believes characterizes much contemporary thinking about economic policy and institutions: Socialism has failed miserably wherever it has been attempted. The entire world knows this. Therefore, the world needs more socialism! This bizarre chain of "reasoning" is nowhere more prevalent than in contemporary proposals for a national industrial policy—governmental economic planning by a "tripartite" commission of politicians, businessmen, and union leaders.

So-called industrial policy was roundly criticized by nearly all mainstream economists—liberals and conservatives alike—during the early and mid-1980s. There is wide agreement that this "halfway house" between central planning and a free market economy, as Friedrich Hayek described it, is fundamentally flawed: Governmental planners cannot possibly possess the knowledge required for efficient resource allocation. Only the market and price system can efficiently distill the massive information required. The idea that a group of government planners can imitate market resource allocation is what Hayek calls "the fatal conceit."[1]

Moreover, in a democracy, governmental economic planning schemes are bound to be influenced more by political than by economic criteria. A national industrial policy would subsidize only politically powerful businesses, industries, and unions at the expense of diminishing overall economic growth.

Despite the avalanche of criticism, and the well-known failures of all socialistic economic planning schemes, the philosophical and ideological roots of industrial policy run deep. Like the character "Jason" in the *Friday the Thirteenth* horror films, the idea just never dies. Logic, reasoning, and evidence don't seem to phase its adherents. They persistently relabel and repackage the same hoary notions, hoping they will catch on if only they are repeated often enough. Consider the recent history of the crusade for an interventionist industrial policy.

In the mid-1970s economist Wassily Leontief convened an "Initiative Committee for National Economic Planning" which, fortunately, never got off the ground. The phrase "national economic planning" was just too reminiscent of the spectacle of "planned" economies in Eastern Europe, the Soviet Union, and elsewhere, and the American public wanted no part of it.

The industrial policy proponents went right back to the drawing board and focused on a series of new marketing strategies. As Ira Magaziner, a strong proponent of industrial policy, candidly revealed: "Some of us started raising concerns about the decline of America's industrial base back in 1977; the solutions were labeled industrial policy, which became dirty words. Well, the problem didn't go away, so the concept re-emerged as "industrial strategy." Then we talked about "competitiveness policies" and, most recently, "industry-led strategies." We've had four different names for what we should be doing without doing anything."[2]

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What's in a Name?

There are other euphemisms for industrial policy, such as "economic democracy," "investment economics," and Michael Dukakis's "strategy for industrial America," which he tried to sell to the electorate in 1988.

More imaginative euphemisms for national economic planning are sure to be invented in the future. Magaziner and Harvard's Robert Reich, among others, have recently published new books promoting the same industrial policy potions they began peddling over a decade ago, and there is strong support for some kind of industrial policy in the business community and the union movement. Despite the wishes of free-market economists, this issue is not likely to fade any time soon.

Why the stubborn support for such a thoroughly discredited idea? One reason, I will argue, is that industrial policy proponents are largely oblivious to both economics and history. But if they had a better understanding of the doctrinal history of industrial policy, they might not be so enthusiastic about it. The origins of industrial policy are in an economic system that industrial policy proponents themselves would abhor—Fascism.

Contemporary proponents of industrial policy advocate many of the same *economic* policies that prevailed in Italy and Germany in the 1920s and '30s. They do *not* condone the abolition of civil and political liberties, the fanatical hero worship, the anti-Semitism, the violence, and the many other evils associated with Fascism. They are simply unaware that: 1) Fascism was an economic as well as a political and social debacle; and 2) Fascist economics was almost identical to so-called industrial policy.

Perilous Parallels

The "partnership" approach to national economic planning is one of the hallmarks of industrial policy. A 1989 United Automobile Workers publication outlines the familiar proposal for "development of a National Strategic Planning Board, made up of representatives of government, labor, businesses, and others to set goals for American industrial development, as well as specific committees on which labor, government, and business representatives would formulate plans for America's auto, steel, and other industries." This plan would supposedly "get labor, management, and government together to bargain a direction for our economy and specific industries."[3]

Business support for industrial policy is typified by a report by the Center for National Policy entitled, "Rebuilding American Competitiveness." The report was written by academicians, government officials, and, businessmen such as Felix Rohatyn of Lazard Freres & Co., former Du Pont Chairman Irving Shapiro, and representatives of the Chrysler and Burroughs corporations, among others. It calls for a "new approach to industrial policy" that is "based on *cooperation* of government with business and labor [emphasis in original]." Such cooperation would be institutionalized by "an Industrial Development Board, composed of government, labor, and business leaders" who would "develop cooperative strategies to promote industrial growth."[4]

Then of course there are the intellectual supporters of industrial policy, such as Robert Reich, Robert Solow, Lester Thurow, and Bennett Harrison of M.I.T., Barry Bluestone of Boston University, and various others. These individuals are among a number of academicians associated with a Washington, D.C.-based organization called "Rebuild America" which advocates "public-private partnerships among government, business and academia."[5]

But the idea of government/business partnerships is anything but new. It was in fact the heart of German and Italian economic policy during the 1920s and '30s. As the Italian Fascist Fausto Pitigliani wrote in 1934, Italian Fascism grouped businesses and unions into "legally recognized syndicates," the purpose of which was "to secure collaboration between the various categories of producers [i.e., employers and workers] in each particular trade. . . ."

The vehicle through which government, business, and unions would "coordinate" their plans was a network of government economic planning agencies, which the Italian Fascists called "corporations." The corporations were organized industry-wide and were intended to "secure permanent collaboration between employers and workers." These corporations were Mussolini's version of the tripartite commissions that contemporary industrial policy proponents advocate.

In Fascist Italy there was one National Council, which Fascist author Gaetano Salvemini claimed

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was established "to exercise very considerable influence upon the development of the means of production in the national economic life of Italy."[6] Another Fascist apologist, Luigi Villari, wrote in 1932 that such business/government partnerships promoted "a spirit of national collaboration which would not be possible under any other system."[7] The Italian National Council sounds nearly identical to the U.A.W.'s "National Strategic Planning Boards."

The National Socialist (Nazi) government in Germany established its own economic planning scheme that was very similar to the Italian system (and to contemporary industrial policy proposals). As described by historian Franz Neuman, there was a "National Economic Chamber," the duty of which was "to co-ordinate the territorial and the functional setup" of industry. This National Economic Chamber was a federal overseer of numerous local chambers, similar to the Italian Fascist system.

In a statement that could have been written by one of the contemporary American proponents of industrial policy, the German newspaper *Deutsche Volkswirt* explained in 1933 that the purpose of these institutions was to "give private industry possibilities and tasks for far-reaching collaboration."[8] According to the Nazi National Economic Minister, "Our task is the limited one of coordinating with the present idea of national government the organization of the enormous field of German business administration."[9] As in the industrial policy literature, the words "cooperation" and "collaboration" were used repeatedly by German and Italian Fascists.

The "Unity of Aim" Argument

One of the most persistent arguments made by proponents of a national industrial policy goes something like this: We've already got industrial policies—regulation, direct subsidies, protectionism, credit subsidies, selective tax breaks for certain industries—but they are too *ad hoc*, overlapping, piecemeal, and sometimes contradictory. What's needed is a more centralized or *national* industrial plan with clearly defined and fixed objectives.

As Lester Thurow has written: "We already have industrial policies. . . . The only real question is whether America has effective front-door industrial policies in which we consciously attempt to design a strategy to give America a viable world class economy or whether we fail to recognize what we are doing and have back-door industrial policies with a case-by-case adoption."[10]

Former Carter domestic policy adviser Stuart Eizenstat claimed that a national industrial policy would "be a more effective organization of what every President since George Washington has been doing in a piecemeal, uncoordinated way."[11] And the Center for National Policy claims that "to argue that government should not have industrial policies is to ignore the fact that it does." What is lacking, says the Center, "are efforts to coordinate . . . all these different policies."[12] Similar statements are repeated over and over again in the industrial policy literature.

Again, such thinking is nearly identical to what was being said in Italy and Germany in the 1920s and '30s. Mussolini himself stated in 1934 that existing government intervention into the Italian economy was "too diverse, varied, contrasting. There has been disorganic intervention, case by case, as the need arises." Fascism would supposedly "remedy" this, wrote Mussolini, because it promised to "introduce order in the economic field" and direct the economy toward "certain fixed objectives."[13]

The whole purpose of the Italian economic planning apparatus, according to Pitigliani, was to give industry "unity of aim" and to "bring together under a single administration the productive forces of the nation."[14] Admiration for central planning, in other words, is one thing the industrial policy proponents have in common with early 20th-century Fascists.

The Inherent Failures of Industrial Policy

The essence of early 20th-century German and Italian industrial policy (and of contemporary industrial policy proposals) was for government, business, and unions to attempt to "collaborate to coordinate" the economy in the public interest. Individual consumers, businesses, investors, and workers supposedly couldn't be relied upon to serve national rather than individual interests. "The function of private enterprise," wrote Pitigliani, "is assessed from the standpoint of public interest, and hence an owner or director of a busi-

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WIDE WORLD PHOTOS

Mussolini speaking in Central Italy, September 1934.

ness undertaking is responsible before the State for his production policy."[15] Fifty years later, the Center for National Policy similarly advocated an "Industrial Development Board" that would "identify sectors of the economy crucial to the national interest" and provide "public [i.e., taxpayer] support as part of an overall development strategy."[16] The theme of economic nationalism pervades both the industrial policy literature and the literature of Fascism.

Despite the public interest rhetoric, business/government collaboration in Germany and Italy constituted a mammoth conspiracy against the public. Business and government collaborated to milk the taxpayers for subsidies to big business and to establish a vast system of government-sanctioned cartels. As a disenchanted Gaetano Salvemini wrote in 1936, although the Fascist "Charter of Labor says that private enterprise is responsible to the state . . . it is the state, i.e., the taxpayer, who has become responsible to private enterprise. In Fascist Italy the state pays for the blunders of private enterprise."

As long as business was good, wrote Salvemini, "profit remained to private initiative." Loss, however, "is public and social." Mussolini boasted in 1934 that "three-quarters of the Italian economic system, both industrial and agricultural, had been subsidized by government."[17] By subsidizing business failure on such a grand scale, Italian Fascism guaranteed a failing economy.

Such business/government collaboration also created a system of monopolies through massive regulation that could forbid the creation of new factories or the development of existing plants. As reported in *The Economist* on July 27, 1935, the Italian "Corporative State only amounts to the establishment of a new and costly bureaucracy from which those industrialists who can spend the necessary amount, can obtain almost anything they want, and put into practice the worst kind of monopolistic practices. . . ."[18]

There was also a "revolving door" between government and industry—the familiar practice of government bureaucrats dishing out subsidies to industry, and then retiring from government to take well-paying jobs in the industries they had previously been "regulating."

German industrial policy also glorified the notion of business/government collaboration, but it too was nothing but the most ordinary protectionism. Regulations prohibited price cutting and established a system of government-sponsored monopolies, described by Hayek as "a sort of syn-

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dicalist or 'corporative' organization of industry, in which competition is more or less suppressed but planning is left in the hands of the independent monopolies of the separate industries."[19] Government/business collaboration, admitted a Nazi economist, "gives a cartel a power which it could not obtain on a voluntary basis."[20]

Lessons of History

One doesn't need to go as far back in history as Mussolini's Italy or Nazi Germany to observe how collaboration between government, business, and unions breeds corruption and monopolization. The recent HUD and savings and loan scandals are typical examples of the inherent failures of government/industry collaboration. In each instance, businesses and government officials collaborated to benefit personally at great expense to the general taxpaying public.

In 1978 the Carter Administration implemented a textbook example of the partnership approach to industrial policy. It "cooperated" with the United Steelworkers union and several steel companies to grant $265 million in loan guarantees to the companies through the federal government's Economic Development Administration (EDA). The objective was supposedly to save 50,000 jobs in four companies. By 1987 all four loans had defaulted, two of the companies had gone bankrupt, and the two others had filed for bankruptcy. The taxpayers were out $265 million and not a single job was "saved" in the steel industry.

As of April 1989, 55 percent of the EDA's loan portfolio was delinquent, with hundreds of millions of dollars in bad loans. The EDA's own staff admitted that its loan programs "would have to be considered a failure" and are "an excellent example of the folly inherent in industrial policy programs."[21]

Trucking regulation by the Interstate Commerce Commission, which cartelized the trucking industry, is another example of what one can expect from an interventionist industrial policy. Trucking firms, the Teamsters, and government collaborated to construct barriers to entry in the trucking business at great expense to consumers and potential competitors. Airline regulation by the Civil Aeronautics Board was another example of an industrial policy cartel.

Protectionism is an example of business/union/government collaboration for the purpose of organizing a price-fixing conspiracy against the public. As Adam Smith wrote in *The Wealth of Nations*, businessmen seldom meet, even for fun and entertainment, when the conversation does not turn to some kind of conspiracy against the public.

Private cartels are notoriously unstable. Consequently, monopolists have always favored "cooperation" between business, government, and unions: Only the coercive powers of the state can guarantee the survival of a privately organized cartel. Thus, monopoly is all too often the result of government/industry partnerships.

As the historical record of interventionist industrial policies becomes clearer, I predict the following syllogism will describe the attitudes of industrial policy proponents: Interventionist industrial policies have bred monopoly, corruption, and economic stagnation wherever they have been tried. Everyone knows this. Therefore, we need more industrial policy! Santayana's dictum that those who fail to learn the lessons of history may relive its mistakes is particularly relevant to the ongoing industrial policy debate. □

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Wealth, Freedom, and Philanthropy

by Peter Frumkin

Egalitarians have long argued that the rich serve no real purpose in society, and that vast accumulations of wealth ought to be curtailed. These advocates of "social justice" maintain that the only way to achieve an equitable society is to alter the distribution of wealth substantially. Very often, they call for higher rates of marginal taxation, greater inheritance taxes, and even caps on personal wealth.

What egalitarians seem to forget is that a massive accumulation of personal wealth often leads to increased charity and assistance to those who are needy. In fact, most large philanthropic institutions in the United States were founded on the wealth of one individual who was free to amass a great personal fortune.

Philanthropy's Unique Mission

In 1988, charitable giving in the U.S. to all fields, including religion, human services, health, and education, totaled more than $106 billion. By any measure, this is an impressive number. It is more than the total amount of money U.S. corporations distributed to their shareholders. It exceeds total Federal spending on non-defense goods and services. Over the past decade, as giving has increased, philanthropy has grown to play a critical, though often unrecognized, role in society.

Private giving is a powerful vehicle for change, one which often differs radically in approach from government. In fact, the private nature of philanthropy has long been viewed as one of its great virtues. It enables philanthropy to stand outside the pressures of public opinion and to engage in projects that government either will not or cannot undertake. Because of its often experimental and innovative nature, private philanthropy adds variety and competition to civic life.

In some cases, this competition can lead to the re-examination of government policy—especially in education where government's track record in designing effective programs has been less than stellar. After philanthropist Eugene Lang "adopted" an entire class of inner-city school children in New York City and promised to pay for their college education if they kept their grades up and finished high school, New York State started its own program of scholarships, "Liberty Partnerships," which were rather imperfectly modeled after Lang's design. Other examples of privately funded programs which government later tried to emulate include care for the elderly, shelter for the needy, and drug treatment.

And yet, while government has learned a great deal about "what works" from philanthropy, the private agendas of foundations and philanthropists have long evoked suspicion. The proposal to create the Rockefeller Foundation, for example, was greeted with unmitigated contempt. President William Taft's Attorney General viewed the plan to devote one of the world's largest fortunes to promoting "the well-being of mankind throughout the world" as a dangerous conspiracy—what he called "an indefinite scheme for perpetuating vast wealth."

To this day, vast wealth engenders a climate of envy and distrust: Why, many wonder, should private citizens be entrusted with distributing large

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sums of money? How can we be sure that philanthropists will give generously? To understand what drives private philanthropy and why it is crucial to a vibrant and diverse society, it is important to consider the way in which philanthropy and freedom are intertwined.

Freedom and Wealth Accumulation

In discussing what it means to be free, philosophers often differentiate between positive and negative freedom. To experience negative freedom, an individual needs only to be free from restraint, free from interference, or free from unwanted government meddling. Negative freedom is termed "negative" because it is defined by saying what an individual is "free from."

The definition of positive freedom is more complex and elusive because it is built on a different and in some ways richer conception of freedom. Positive freedom is connected to an individual's need to live a meaningful and fulfilled life. An individual experiences positive freedom when he is free to do what is right, to live the good life, or to be virtuous. Positive freedom is termed "positive" because it is defined in terms of what an individual is "free to do or be." For people to have the chance to accumulate wealth and for philanthropy to flourish, negative and positive freedom must both be present.

Entrepreneurs and businessmen, who represent philanthropy's future, need an economic environment free of barriers and constraints, one in which private property is protected and regulation is limited. Wealth accumulation is also tied to an equitable system of personal and corporate taxation. It should come as no surprise that philanthropy is far less developed in Europe and the Soviet Bloc than it is in the United States. Indeed, in Communist nations there is little or no independent philanthropy because large accumulations of personal wealth aren't tolerated. That Americans are far and away the most charitable of all people bears witness to the fact that negative freedom, the freedom from unwarranted government interference which our Constitution comes closest to providing, is crucial to putting in place the conditions which make philanthropic giving possible.

But a free marketplace and limited regulation of business aren't enough. Without a culture that recognizes and values benevolence, philanthropy's moral roots cannot take hold. Charitable giving is thus intimately tied to a special kind of positive freedom, the freedom to be benevolent. This freedom rests, of course, on a whole series of other moral and religious freedoms. Philanthropy involves more than just wealth accumulation. It depends on an appreciation of the needs of others and an enlightened sense of self-interest. To be charitable implies that one is free to look beyond narrow self-interest in order to find a richer and fuller sense of the good.

A century ago, Andrew Carnegie explained the rationality behind benevolence, and his thoughts remain relevant to this day. Carnegie argued in *The Gospel of Wealth* that by giving away "surplus" wealth, the rich can do what is at once morally right and prudent. By investing their fortune rather than hoarding it, wealthy people, Carnegie believed, could defuse criticism of the economic system which made their success possible, as well as meet some pressing social concerns. Philanthropic investment not only would strengthen capitalism, but, if properly done, would also give others the opportunity to compete and succeed.

Since Carnegie's day, philanthropy has grown by leaps and bounds. Not only have new and important foundations sprung up, but numerous wealthy individuals have also given generously to charity. The reason, as Carnegie pointed out, is that philanthropy enables the wealthy person to win the approval and admiration of others. "To die rich," Carnegie warned, "is to die in disgrace." As a result, the desire for respect which most successful people possess will continue to lead the wealthy toward philanthropy.

Without the economic freedom to garner wealth and the moral freedom to act benevolently, philanthropy cannot survive. And without a vibrant philanthropic sector, a powerful force for social innovation and change will be compromised. To those who worry about the dangers of wealth accumulation, these two facts should give cause to ponder. With its stringent economic and moral requirements, philanthropy lends crucial support to the values and principles which have made this nation prosperous and free for so many years. □

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"That's Already Been Settled"

by Earl Zarbin

Solicitations through the mail for one cause or another are endless. Most I ignore, pitching them aside unopened. My wife, however, looks at all the mail. She reads everything, including all requests for money. Lately, there was an appeal to which she wanted to contribute some cash. This was a lobby in Washington, D.C., trying to get Congress to amend a law so that funds it appropriated for the arts would not go to pornographers or other purveyors of disgustment.

When my wife said we should make a contribution, my reaction was: "No, it's a waste of money. The people behind that are fighting the wrong thing. If they were fighting to repeal all Federal aid to the arts, I probably would contribute something."

"That's already been settled," my wife retorted.

"What's already been settled?"

"Congressional funding of the arts."

She maintained the issue now was to make certain the funds were not used for vulgar purposes such as displaying as art someone's bottled urine or photographs of homosexuality. Certainly I could agree tax money should not be used for those purposes any more than they should be used to support three-cushion billiard parlors. But the need was not lobbying to ban the use of Federal funds to support pornography or disgustments: rather, the need was to ban stealing from billiard players (and everyone else) to support the arts.

On the surface, it appears the question of social welfare programs has been settled. Along with theft-supported giveaways to the arts, we have Social Security, Medicare, Medicaid, aid to education, *ad nauseam*. However, there is no assurance these programs will last forever. A late example of this was Congress' repeal of the law requiring Medicare recipients with qualifying incomes to pay higher taxes for the financing of catastrophic illness. Congress reacted after hundreds of thousands of Social Security recipients made known their displeasure. What if hundreds of thousands—or millions—of Americans under age 62, or 60, or 50, made known their displeasure with the entire thieving system of Social Security? Would Congress sit still? Or would it repeal the social stealing approved by Congress in 1935?

Similarly, if millions of Americans rallied against subsidies for irrigation water, electrical production, and all other Federal theft programs, would not Congress respond? You bet. If the people made known they would vote out of office anyone who failed to repeal stealing as Congress' favorite pastime, the entire transfer payment system could come tumbling down.

Indeed, ask individual citizens if they support theft. I think most would say they do not—even for so-called good causes. They prefer to decide for themselves whether something is worthy of their personal financial aid. What I suspect many of them do not perceive is the connection between committing theft themselves and Congress (or state legislatures or city councils) doing the same thing through the enactment of laws and their enforcement with the power of the police.

Many citizens might agree there is a need to help others pay rent, buy food, receive medical care, and become educated, but they would rebel and stiffen their backs if approached directly by a man with gun in hand to demand they turn over

Earl Zarbin, a retired newspaperman, does historical research and writing in Phoenix, Arizona.

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cash in their pockets for these purposes. Yet the majority of them tolerate the same conduct if the theft is enacted into law and the stealing is accomplished by government agencies.

Clearly, the masses of people have been deceived in their understanding of what government should be and what it has become. It should restrict itself to protecting life, liberty, and property; instead, it is the main agency for intrusion into virtually every aspect of living, threatening the well-being of the people by spending too much, and by inflation.

If my wife is correct—the triumph of the social welfare state in these United States has "already been settled"—then I might as well contribute to such narrow and unproductive causes as combatting the use of federally collected tax money to finance the public display of bottles of urine as art. But I think she is wrong—the only thing that has been settled is that the masses of people have been temporarily blinded and deceived by the siren song of those who pretend the world is better off when subjected to an elite in control of coercive forces. To me, nothing has been settled. If this puts me out of step, I at least know that I still tramp to my own beat. □

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A REVIEWER'S
NOTEBOOK

Religion, Wealth and Poverty

by John Chamberlain

Gilbert Chesterton, who is the mentor of Jesuit Father James Vincent Schall, the author of *Religion, Wealth and Poverty* (Vancouver, B. C.: Fraser Institute, 202 pages), was a distributist. But this doesn't mean that he wanted to divide the wealth into equal shares. He wanted everybody to own property, to have land, a home, and tools. He was willing to let people who had brains, take it from there.

The Chesterton commitment was to free will. If you believe in it, you come out in your attitude toward poverty in one place. It is not a static resting point. You have powers of imitation, and you don't have to accept poverty for yourself. But if ideology rears its ugly head Chesterton won't save you. Let us say the ideology is socialism. In asking the simple question of why are the poor poor, socialism implies that it is because the rich have the money. In a non-free will world this means that poverty must be eternal.

But we know this can't be true. A century ago practically everybody was poor. Today this isn't so. The world's stack of wealth is increasing all the time, even in the midst of debilitating wars.

Father Schall wonders how once-fertile countries can fall into poverty. Tanzania in tropical Africa perplexes him. It could be as prosperous as Kenya next door. But ideology interferes. "The best way to discover why Tanzania . . . remains poor," he says, "is not to examine its soil or its rainfall, but to read the collected speeches of Mr. Julius Nyerere. He may be a very good man, but he chose the wrong theoretical ideology to explain his country's poverty to itself. He gave some of these speeches to religious groups which have spread the doctrine widely. And this has promoted coercion—with poverty as the inevitable result." Tanzanian farmers are compelled to raise crops collectively. There is no individual incentive. The practical result is that there is nothing in the storehouse.

Father Schall doesn't like the idea of sharing. It implies that there is common ownership of the wealth. He wants to promote giving. As to sharing, he writes, "I have always held the unorthodox view that it is more difficult to receive than to give." He quotes Chesterton as saying that "if I were a poet writing a Utopia . . . if I were a God making a Planet, I would deliberately make it a world of give and take, rather than a world of sharing. . . . I want Jones by one mystical and godlike act to give a cigar to Brown, and Brown by another mystical and godlike act to give a cigar to Jones."

The world, so Father Schall sums up, "is made up of givers and receivers, while those who merely share, I suspect, remain locked up in a very little world in which everything belongs to everyone else and nothing to each."

Father Schall thinks there is plenty in the world for everybody. He quotes Norman Macrae in *The Economist* as saying that we could easily produce a glut on the international food market "so great it would dwarf all other issues. The Ganges Valley in India, the Yangtze in China, the Mississippi Valley in the Midwest, and even the smaller San Joaquin Valley in California can by themselves come fairly close to supplying the world's basic food needs if farmed with the intensity and skill of the Dutch or Japanese. What causes insufficient food production are fundamentally the theories, values, and ideologies that interfere with or fail to foster those

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means of achieving the planet's capacity in this area. Some seem even to welcome starvation in order to prove their theories."

Schall asks rhetorically "What is taught in many religious circles today?" He gives as his answer "mostly this: the poor are poor because the rich are rich. The poor are getting poorer because the percentage gap between the rich and the poor is slightly increasing. The rich are rich because they exploit the poor. The only way to change this is to alter the consciousness of the exploited people to be 'aware' of their condition, to become angry or even violent. A new order based on political, socialist-oriented principles must be instituted soon to redistribute worldly power and wealth. This process is called 'justice' and has practically co-opted any other meaning of the word." As Westbrook Pegler might have said, "'T ain't right."

By carefully following all this "religious pedagogy," says Schall, "the net result would be that the poor remain forever poor." What we ought to be doing, says Schall, is not sending "our easily manipulated nuns, college students, and seminarians to slums and barrios" to have them routinely return reciting "canned ideology in the name of faith without a clue about the difference."

Instead of heavily laden socialist theological texts, our "young ought at least to have a look at . . . Norman Macrae, Irving Kristol . . . Paul Johnson, P. T. Bauer, and *The Economist*. For an early reflection on faith and justice, instead of *Marx and the Bible*, they might try Barrington Moore's *Reflections on the Causes of Human Misery and Certain Proposals to Alleviate It* or Jacques Ellul's *Betrayal of the West* . . ."

There ought, says Schall, to be ways of making the widening of state power palatable. The Christian distinction between the things of God and Caesar suggests the idea of the limited state in which Caesar does not control everything, "especially the most important things." But the interpretation of the Constitution's general welfare clause is taken to mean that the state has a moral duty to provide and guarantee just about everything. It is a totalitarian view of modern natural rights theory, and it just won't work, as Schall notes.

"No doubt the state need not be our enemy," he says, "but who is to save us when even the clergy seems to suggest it is our salvation?" □

INDIVIDUALS AND THEIR RIGHTS

by Tibor R. Machan

Open Court, 315 Fifth Street, Peru, IL 61354 • 1989 • 250 pages
$32.95 cloth, $16.95 paper

Reviewed by David M. Brown

In his new and very readable book on our natural rights, philosopher Tibor R. Machan has accepted a task that too many contemporary advocates of liberty regard as almost beside the point.

What he has done is ground our rights to life, liberty, and the pursuit of happiness in a broad philosophical framework of ethics, epistemology, and metaphysics—that is to say, in a theory of what reality is fundamentally like (metaphysics), how we can know anything about it (epistemology), and what choices we should make given what we know about ourselves and the outside world (ethics or morality). Once Machan has given us answers in those realms, he can then go on to apply his answers to political questions.

The more fundamental levels of philosophy do matter for questions of public policy. To see this, let us suppose that everybody agrees to follow what has been called the "nonaggression axiom," a principle which some libertarians insist would be sufficient, all by itself, to secure and sustain a politically just society. The nonaggression axiom says: Nobody has the right to initiate the use of force. Simple reference to this principle, it is said, enables us to recognize where the justice lies in any political conflict or in social conflicts involving violence or coercion.

But this approach founders if we ask, for example, what in fact constitutes aggression? What is the realm which may not be aggressed against? How do we determine it? If you punch somebody in the nose out of the blue, is that the only thing that counts as aggression? What about menacing gestures? What about taking property whose ownership is in doubt? But maybe we're being too ambitious here. Maybe we can't really *know* anything anyway. Heck, maybe we don't even exist—or at least not our rights.

My own attention to such questions has been informed by writers like Ayn Rand, Robert James Bidinotto, Dimitri Rotov, David Kelley, and now Tibor Machan. This book is a full-fledged discussion of human nature, how we can know it, and what the implications are for politi-

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cal and social relations. The author confronts opposing philosophical positions with eminent fairness, and successfully shows why they lead to different, and morally wrong, policy prescriptions. His own argument clearly demonstrates that political principles require a more fundamental philosophical foundation for their intelligible defense and that the specific politics one espouses will be intimately affected by variations in those basic positions.

Rights are a kind of moral claim, based on the objective requirements of life in a social context, although they have been treated by many writers, including Thomas Jefferson, as a kind of endowment. By contrast, Machan defines rights as "*social conditions that ought to be maintained*, moral principles pertaining to aspects of social life." He favorably quotes Ayn Rand's statement that rights are "conditions of existence required by man's *nature* for his *proper* survival." Although I would say that rights are actually justified moral claims or entitlements to those conditions rather than, as appears to be asserted here, the conditions themselves (one can have a right without its being respected), the relationship of the rights issue to the wider philosophical realm is evident.

If, for instance, man's nature is fluid, unknowable, or the opposite of what we think it is, then what we can logically say about the requirements of sustaining man's life—of achieving his "proper" survival—will be consequently altered. To wit, if man is a predetermined, fate-driven automaton with no genuine capacity for choice, then to declare that he "ought" to do something is meaningless. And if man does not, after all, possess the capacity to reason, then to declare that force is evil because it thwarts his reasoning is meaningless as well.

This book is refreshing not because it aspires to be definitive or exhaustive on these issues, but because it treats them as necessarily interrelated, and profoundly illuminates the connections. Of course, not all readers, even those already in agreement with the broad premise of the book, will accept Machan's arguments entirely. I had trouble with aspects of his discussion of "consent," for instance. But certainly those who seek to improve their understanding of the requirements of a free society will be well rewarded by a scrupulous study of this work.

Here, for example, is just one of Machan's insights that caught my attention. It is an examination of the "tragedy of the commons" that builds on the usual economic treatment:

> One way of interpreting the famous doctrine of "the tragedy of the commons" is to realize that when common ownership *and* authority attach to some valuable option, individuals who are responsible for making morally right choices cannot make them. They are unable to determine what they *should* do because they lack jurisdiction over the various alternatives that face them. As a result, one of their alternatives is to not consider externalities [external costs] their use of the property imposes on others. Indeed, it is not even possible to know what are externalities and what are not. "External" and "internal" presuppose borders spelled out by property rights and property law. . . . What is ultimately tragic in the "tragedy of the commons" is that even if one were determined not to neglect any of one's responsibilities *it cannot be clear what one's responsibilities are.*

Here the economic truth of common ownership is related to the essential requirements of moral responsibility to others. Moreover, this insight relies on Machan's general discussion of man's nature that spells out in what ways man is a social creature, in what ways he is a purely private and individual creature, and how to properly specify both realms so as to protect all individuals and their rights.

Machan defends his thesis ably against several contending theories, and is generally effective in doing so. He pays careful attention to what his colleagues are arguing and gives their theories their due before exposing their fallacies. My one gripe with his approach and with the entire book is his tendency to garnish perfectly plain and defensible contentions with unnecessary qualifications, including words like "seems" and "appears to be" when the implied uncertainty of these locutions is uncalled for. I don't believe that Machan is a crypto-skeptic, so perhaps instead he is struggling to be diplomatic with his philosophical adversaries. This tactic seems to be epistemologically wrong, however, with statements that are regarded as certain rather than tentative, especially when issues of life and death are at stake.

Be that as it may, this is not a book to be missed if you are interested in the philosophical defense

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of individual rights. You'll be enriched by it, and will want to return to its arguments many times.□

David M. Brown is the managing editor of the Laissez Faire Books catalog and a free-lance writer. For a copy of the Laissez Faire catalog, write Laissez Faire Books, 942 Howard Street, San Francisco, CA 94103.

ECONOMICS: WORK AND PROSPERITY
by Russell Kirk

A Beka Book Publications, P.O. Box 18000, Pensacola, FL 32523-9160 • 1989 • 398 pages • $12.10 paperback

Reviewed by E. Calvin Beisner

The old adage goes, "Those who can't, teach." And many a student can testify that those who can't teach, write textbooks.

The typical elementary- and secondary-school textbook tests the patience and fortitude of every student. Not, of course, because it is challenging, but because it is dull. It is written as if by a machine rather than by a warm, flesh-and-blood human being; and usually that is half true, for most such textbooks are written by committees, in which all the signs of personality die the death of a thousand qualifications.

The substance of most textbooks is no better than their form, and often is worse. Publishers typically find people only half-educated in the fields, and select them because they have shown some ability to get along in committee work as co-authors. As a result, we have American history texts that utterly ignore the role of religion in shaping this nation's political, social, and economic institutions, civics textbooks that anachronistically saddle the framers of the Constitution with the views of today's liberal Federal judiciary, and textbooks in all fields that are filled with the most elementary errors.

It is, therefore, a refreshing shock to find an excellent high school economics textbook written by one of America's finest writers, political philosophers, and historians of ideas, Dr. Russell Kirk. In *Economics: Work and Prosperity*, Kirk combines his great literary skills with his unparalleled knowledge of history and the ideas that have shaped it to give students a textbook that will challenge them, inspire them, even (sometimes) entertain them. And those who read it attentively will, upon completing it, understand considerably more about economics, I daresay, than do most students who have just completed an undergraduate degree in the field. (Indeed, I first read the book in manuscript form while working on my own master's thesis in economic ethics. I quickly recognized that it taught more solid substance in clearer ways than any other book I'd read in the field.)

Kirk begins, in the first five chapters, by introducing students to some of the first principles of economics: work, the nature of economic value, types of goods, the elements of capital, labor, and resources, supply and demand, marginal utility, price, how the market economy processes information, profits and productivity, and the important fact that poverty, not prosperity, is the natural condition of mankind. From the start he alerts readers to the important difference between controlled and free economies and how the former are doomed to failure because they try to function as if there were no economic laws.

Kirk does this not by means of a theoretical discussion but by telling the story of the Pilgrims at Plymouth, who began their venture in the New World as communists, quickly found that this "kind of slavery" bred nothing but poverty and discontent, and then abandoned the "common course and condition" in favor of a free market based on private property, finding in that the secret of abundant productivity. Indeed, part of the genius of Kirk's book is his frequent resort to stories that clearly illustrate the concepts he seeks to communicate. The stories have their origins in American history, great fictional literature, the Bible, and frequently enough Kirk's own fertile imagination.

In the sixth through ninth chapters, Kirk explains how competition contributes to economic well-being and monopoly harms it; how division of labor, comparative advantage, and scale of production contribute to efficiency of production; the importance, forms, and effects of saving; and the nature and functions of money and banking in the economy.

The 10th through 13th chapters focus on the relationships between civil government and the economy, showing why a very limited role for government better contributes to a productive, just economy than does a broad role. The 11th chapter chronicles the successes and weaknesses of the market economy, answering, along the way, allegations that it falls short of justice, while the 12th explains the inherent weaknesses of command

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economies, and the 13th addresses various challenges facing all economies: pollution, waste, and especially inflation, with its distorting effects on production and distribution.

Kirk concludes with a chapter on the economic future of the world. He castigates the "prophets of doom and gloom" for ignoring obvious signs that the world is getting richer, not poorer, and for advocating "remedies" for the world's economic ills that by their very nature cannot fail to exacerbate the problems. At the end of the chapter he has a section on "The Moral Foundation of Economics," reviving a theme that plays throughout the book. Here Kirk drives home the lesson that "material prosperity depends upon moral convictions and moral dealings." He explains several virtues on which economic welfare depends: honesty, industry, charity, fortitude, and generosity, and shows how and why Marxism undercuts all such values.

"So long as many people work intelligently, with good moral habits, for their own advantage and for the prosperity of a nation, an economy will remain healthy," Kirk writes. "But hard work and sound habits may be undone by foolish public policies or by the violent entry of totalist states. There is a strong need for watchfulness on behalf of the economy."

As one expects from an admirer of Samuel Johnson, Kirk includes a glossary with clear, helpful definitions for all the chief terms in the book. Like Johnson, he doesn't hesitate to let definitions communicate perspective. Compare, for instance, *liberal* ("in politics a person who favors change and experiment, as opposed to a conservative") with *conservative* ("one who prefers old and tested institutions to new and untried ways; one who believes that there are basic values that need to be conserved"). He equips students to see through the popular distortions of economic facts by giving them straight definitions of often twisted words. *Inflation*, for instance, which many now equate with rising prices (no thanks to the news media's unvarying misuse of the word), he defines as "an economic condition in which too much money is in circulation, causing prices to rise rapidly."

A thorough and helpful index completes the volume, putting useful information at the student's fingertips whenever he needs it.

Interestingly enough, *Economics: Work and Prosperity* was rejected by several major publishers, in some cases after they had first shown considerable interest in it. Why? Because they judged that it was not sufficiently "value neutral," that it made too much use of moral and even religious concepts, to be used in public schools. So much the worse for the public schools. *Economics: Work and Prosperity* has been published instead by A Beka Book Publications, one of the nation's largest suppliers of textbooks for home and private schools. No doubt it will contribute mightily to the quality of education in those markets, not only in economics but also in moral and political philosophy, and even in students' understanding of history. I can think of no better textbook by which to introduce students to economics. □

E. Calvin Beisner holds an M.A. in economic ethics and is the author of Prosperity and Poverty: The Compassionate Use of Resources in a World of Scarcity *(Westchester, IL: Crossway Books, 1988) and* Prospects for Growth: A Bibilical View of Population, Resources, and the Future *(Crossway Books).*

FEDERAL SUPPORT OF HIGHER EDUCATION: THE GROWING CHALLENGE TO INTELLECTUAL FREEDOM

Edited by Roger E. Meiners and Ryan C. Amacher

Professors World Peace Academy, distributed by Paragon House Publishers, 90 Fifth Avenue, New York, NY 10011 • 1989
393 pages • $15.95 paperback

Reviewed by Julio H. Cole

Higher education the world over is dominated by government. In the United States, most colleges and universities are government institutions, or rely heavily on government support even if they are private. Since it is an article of common sense that "whoever pays the piper calls the tune," the question naturally arises as to the effects which government funding has had upon the direction and quality of university teaching and research.

Surprisingly, however, as the editors note in their foreword, "understanding of the impact of governmental domination of the academy by scholars is not very good." Of course, there is no shortage of academic literature seeking to justify ever larger public support for higher education, but studies that examine government's role in a detached and impartial manner are quite rare. The

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papers collected in this volume are an attempt to redress this imbalance, at least as far as the situation in the U.S. is concerned.

Overall, the contributing authors tend to conclude that the effects of government intervention in the market for higher education have been negative, although the first chapter by the late Sidney Hook does not find, in principle, any conflict between government support and academic freedom. The following chapters are less sanguine, and point to more subtle and less obvious influences. "The Growth of Government Control of American Higher Education" is chronicled in the chapter by Leonard Liggio and Roger Meiners, and the effects of this growth do not appear to have been wholly salutary. The chapter by Donald Erickson, for instance, shows that in the academic field of "education," research is devoted almost entirely to justifying government policies, while more controversial issues tend to be ignored. Similar situations are encountered in accounting (Ross Watts and Jerold Zimmerman) and agricultural economics (E. C. Pasour). These are all fields in which government not only finances research, but also has a direct impact on practice through policy and regulation.

The chapter by Peter Aranson suggests that these effects are not so much a question of ideology as one of simply "not biting the hands that feed them." To be sure, academics as a group are more left-of-center than the general population. However, within academia the natural scientists, who receive a larger share of government research funds, tend to be more politically conservative, while political science, where government research support is trivial by comparison, has the largest proportion of left-leaning professors. (In this regard, the case of the "hard" scientists seems comparable to that of other special interest groups, such as defense contractors and farmers, who also tend to be "conservative" while at the same time favoring government intervention in their own sectors.)

Other papers in this collection deal with the National Science Foundation (John Sommer), how college accreditation is allowing for additional Federal control (Robert Staaf), "Intellectual Attitudes and Regulatory Change" (Fred McChesney), by-products of government-funded research (Michael Ghiselin), a critical analysis of the arguments for government intervention in education (E. G. West), and a highly learned discussion of the basic conflict between a free market in ideas and attempts to "organize" higher education (William Bartley). A final chapter by Gordon Tullock offers some provocative remarks on "What is Higher Education?" and some innovative suggestions for restructuring it.

These are all important papers on an important topic, and this volume should help stimulate further discussion and debate on these issues. □

Professor Cole teaches economics at the Universidad Francisco Marroquin in Guatemala.

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Join us in the pursuit of an ideal.

The ideal of freedom is to let anyone do anything he pleases, as long as his behavior is peaceful, with government empowered to keep the peace—and nothing more. An ideal objective, true, but one that must be pursued if we would halt the continuing descent of our society from bad to worse. Nothing short of this will suffice. And unless we fully understand the ideal—and what makes for its attainment—we'll tend to settle for powerless, futile little pushes and shoves that yield no more than a false sense of something done.

—**Leonard E. Read**

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"The citizen who thinks he sees that the commonwealth's political clothes are worn out, and yet holds his peace and does not agitate for a new suit, is disloyal; he is a traitor. That he may be the only one who thinks he sees this decay, does not excuse him; it is his duty to agitate anyway. . . ."

—MARK TWAIN
A Connecticut Yankee in King Arthur's Court

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